



**Yuxing InfoTech Investment Holdings Limited**  
**裕興科技投資控股有限公司\***

(Incorporated in Bermuda with limited liability)  
Stock Code: 8005

Interim Report 2013



\* for identification purposes only

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

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

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

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

## HIGHLIGHTS

- For the six months and three months ended 30th June 2013, turnover of the Group was approximately HK\$269.4 million and HK\$116.5 million respectively, representing a decrease of 39.5% and 42.6% respectively in comparison to the corresponding periods in 2012.
- For the six months and three months ended 30th June 2013, gross profit of the Group decreased significantly by 79.2% and 97.8% respectively to approximately HK\$12.0 million and HK\$0.6 million as compared with the corresponding periods of last year.
- Loss attributable to owners of the parent for the six months and three months ended 30th June 2013 amounted to approximately HK\$25.8 million and HK\$9.5 million respectively, while the Group recorded a profit attributable to owners of the parent of approximately HK\$13.3 million and HK\$13.7 million respectively in the corresponding periods of last year.
- Basic loss per share for the six months and three months ended 30th June 2013 were HK1.46 cents and HK0.53 cent respectively.
- Total equity attributable to owners of the parent as at 30th June 2013 was approximately HK\$1,785.0 million or net assets per share of HK\$1.00.
- The Board does not recommend the payment of any interim dividend for the three months ended 30th June 2013. During the six months ended 30th June 2013, an interim dividend of HK\$0.05 per share totaling approximately HK\$89.6 million was declared and distributed (for the six months and three months ended 30th June 2012: HK\$Nil).

## INTERIM RESULTS (UNAUDITED)

The board of Directors of the Company (the "Board") is pleased to announce the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the "Group") for the six months and three months ended 30th June 2013 together with the comparative unaudited figures for the corresponding periods in 2012, prepared in accordance with generally accepted accounting principles in Hong Kong, as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months and three months ended 30th June 2013

	Notes	For the six months ended 30th June		For the three months ended 30th June	
		2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Turnover	3	269,371	445,263	116,502	202,801
Cost of sales		<u>(257,368)</u>	<u>(387,682)</u>	<u>(115,890)</u>	<u>(175,452)</u>
Gross profit		12,003	57,581	612	27,349
Other revenue and net income		15,244	6,115	10,668	4,165
Distribution and selling expenses		(7,785)	(10,662)	(3,990)	(5,288)
General and administrative expenses		(38,443)	(38,197)	(18,595)	(14,115)
Other operating expenses		(13,717)	(1,635)	(9,629)	(1,149)
Fair value gains on investment properties		2,910	5,330	2,910	5,330
(Loss)/Profit from operations		<u>(29,788)</u>	18,532	<u>(18,024)</u>	16,292
Finance costs	4	<u>(16,607)</u>	(3,934)	<u>(9,675)</u>	(2,305)
Share of results of a jointly controlled entity		13,199	–	13,182	–
(Loss)/Profit before taxation	4	<u>(33,196)</u>	14,598	<u>(14,517)</u>	13,987
Taxation	5	<u>2,743</u>	(1,297)	<u>2,743</u>	(286)
(Loss)/Profit for the period		<u><u>(30,453)</u></u>	<u>13,301</u>	<u><u>(11,774)</u></u>	<u>13,701</u>
<b>(Loss)/Profit attributable to:</b>					
Owners of the parent		(25,766)	13,301	(9,480)	13,701
Non-controlling interests		<u>(4,687)</u>	–	<u>(2,294)</u>	–
		<u><u>(30,453)</u></u>	<u>13,301</u>	<u><u>(11,774)</u></u>	<u>13,701</u>
(Loss)/Earnings per share	7				
– Basic		<u>(1.46) cents</u>	0.77 cent	<u>(0.53) cent</u>	0.79 cent
– Diluted		<u>(1.46) cents</u>	0.75 cent	<u>(0.53) cent</u>	0.77 cent

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months and three months ended 30th June 2013

	For the six months ended 30th June		For the three months ended 30th June	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
(Loss)/Profit for the period	<b>(30,453)</b>	13,301	<b>(11,774)</b>	13,701
Other comprehensive (loss)/income				
Items that may be reclassified subsequently to profit or loss:				
Change in fair value of available-for-sale financial assets	-	690,061	-	574,972
Share of other comprehensive (loss)/income arising from interest in a jointly controlled entity (net of tax)	<b>(500,163)</b>	34,408	<b>(349,722)</b>	34,408
Exchange differences arising on translation of PRC subsidiaries	<b>41,719</b>	(12,339)	<b>32,331</b>	(12,652)
Other comprehensive (loss)/income for the period	<b>(458,444)</b>	712,130	<b>(317,391)</b>	596,728
Total comprehensive (loss)/income for the period	<b>(488,897)</b>	725,431	<b>(329,165)</b>	610,429
<b>Total comprehensive (loss)/income attributable to:</b>				
Owners of the parent	<b>(484,210)</b>	725,431	<b>(326,871)</b>	610,429
Non-controlling interests	<b>(4,687)</b>	-	<b>(2,294)</b>	-
	<b>(488,897)</b>	725,431	<b>(329,165)</b>	610,429

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2013

		(Unaudited) As at 30th June 2013 HK\$'000	(Audited) As at 31st December 2012 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Investment properties		49,390	46,480
Property, plant and equipment	8	95,572	95,489
Prepaid lease payments		13,173	13,131
Interest in a jointly controlled entity	9	<u>2,074,719</u>	<u>2,535,249</u>
		<b>2,232,854</b>	2,690,349
<b>CURRENT ASSETS</b>			
Inventories		75,654	83,012
Trade and other receivables	10	140,834	182,790
Prepaid lease payments		388	382
Dividend receivable		–	97,484
Financial assets at fair value through profit or loss	11	35,580	55,361
Income tax recoverable		636	–
Pledged bank deposits		5,498	24,318
Cash and bank balances		<u>133,440</u>	<u>62,706</u>
		<b>392,030</b>	506,053
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	171,258	215,717
Dividend payables		6,571	–
Bank loans		113,561	100,185
Settlement fee payable	13	367,319	184,980
Tax payable		–	2,154
		<u>658,709</u>	<u>503,036</u>
<b>NET CURRENT(LIABILITIES)/ASSETS</b>		<b>(266,679)</b>	3,017
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,966,175</b>	2,693,366
<b>NON-CURRENT LIABILITIES</b>			
Financial liabilities at fair value through profit or loss		–	98
Settlement fee payable	13	<u>173,449</u>	<u>335,311</u>
		<b>173,449</b>	335,409
<b>NET ASSETS</b>		<b><u>1,792,726</u></b>	<b><u>2,357,957</u></b>
<b>CAPITAL AND RESERVES</b>			
Share capital	15	44,803	43,688
Reserves		<u>1,740,169</u>	<u>2,301,828</u>
Equity attributable to owners of the parent		<b>1,784,972</b>	2,345,516
Non-controlling interests		7,754	12,441
<b>TOTAL EQUITY</b>		<b><u>1,792,726</u></b>	<b><u>2,357,957</u></b>

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

For the six months ended 30th June 2013

	Attributable to owners of the parent										Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Statutory reserves HK\$'000	Contributed surplus HK\$'000	Share option reserves HK\$'000	Investment revaluation reserves HK\$'000	Translation reserves HK\$'000	Accumulated losses HK\$'000	Sub Total HK\$'000			
As at 1st January 2013	43,688	41,693	20,435	234,621	29,021	1,682,822	687,064	(393,828)	2,345,516	12,441	2,357,957	
<b>Loss for the period</b>	-	-	-	-	-	-	-	(16,286)	(16,286)	(2,393)	(18,679)	
<b>Other comprehensive loss:</b>												
Share of other comprehensive loss arising from interest in a jointly controlled entity (net of tax)	-	-	-	-	-	(150,441)	-	-	(150,441)	-	(150,441)	
Exchange differences arising on translation of PRC subsidiaries	-	-	-	-	-	-	9,388	-	9,388	-	9,388	
<b>Total other comprehensive loss</b>	-	-	-	-	-	(150,441)	9,388	-	(141,053)	-	(141,053)	
<b>Total comprehensive loss for the period</b>	-	-	-	-	-	(150,441)	9,388	(16,286)	(157,339)	(2,393)	(159,732)	
<b>Transactions with owners:</b>												
Issue of shares under share option scheme	173	1,892	-	-	-	-	-	-	2,065	-	2,065	
<b>Total transactions with owners</b>	173	1,892	-	-	-	-	-	-	2,065	-	2,065	
As at 31st March 2013	43,861	43,585	20,435	234,621	29,021	1,532,381	696,452	(410,114)	2,190,242	10,048	2,200,290	
<b>Loss for the period</b>	-	-	-	-	-	-	-	(9,480)	(9,480)	(2,294)	(11,774)	
<b>Other comprehensive loss:</b>												
Share of other comprehensive loss arising from interest in a jointly controlled entity (net of tax)	-	-	-	-	-	(349,722)	-	-	(349,722)	-	(349,722)	
Exchange differences arising on translation of PRC subsidiaries	-	-	-	-	-	-	32,331	-	32,331	-	32,331	
<b>Total other comprehensive loss</b>	-	-	-	-	-	(349,722)	32,331	-	(317,391)	-	(317,391)	
<b>Total comprehensive loss for the period</b>	-	-	-	-	-	(349,722)	32,331	(9,480)	(326,871)	(2,294)	(329,165)	
<b>Transactions with owners:</b>												
Issue of shares under share option scheme	942	13,680	-	-	(3,415)	-	-	-	11,207	-	11,207	
Share options expired	-	-	-	-	(25,606)	-	-	25,606	-	-	-	
Interim dividend (note 6)	-	-	-	-	-	-	-	(89,606)	(89,606)	-	(89,606)	
<b>Total transactions with owners</b>	942	13,680	-	-	(29,021)	-	-	(64,000)	(78,399)	-	(78,399)	
<b>As at 30th June 2013</b>	<b>44,803</b>	<b>57,265</b>	<b>20,435</b>	<b>234,621</b>	<b>-</b>	<b>1,182,659</b>	<b>728,783</b>	<b>(483,594)</b>	<b>1,784,972</b>	<b>7,754</b>	<b>1,792,726</b>	

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

For the six months ended 30th June 2013

	Attributable to owners of the parent										Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Statutory reserves HK\$'000	Contributed surplus HK\$'000	Share option reserves HK\$'000	Investment revaluation reserves HK\$'000	Translation reserves HK\$'000	Accumulated losses HK\$'000	Sub Total HK\$'000			
As at 1st January 2012	43,378	37,003	20,190	234,621	30,336	1,103,488	686,287	106,371	2,261,674	-	2,261,674	
<b>Loss for the period</b>	-	-	-	-	-	-	-	(400)	(400)	-	(400)	
<b>Other comprehensive income:</b>												
Change in fair value of available-for-sale financial assets	-	-	-	-	-	115,089	-	-	115,089	-	115,089	
Exchange differences arising on translation of PRC subsidiaries	-	-	-	-	-	-	313	-	313	-	313	
<b>Total other comprehensive income</b>	-	-	-	-	-	115,089	313	-	115,402	-	115,402	
<b>Total comprehensive income for the period</b>	-	-	-	-	-	115,089	313	(400)	115,002	-	115,002	
<b>Transactions with owners:</b>												
Issue of shares under share option scheme	8	82	-	-	-	-	-	-	90	-	90	
<b>Total transactions with owners</b>	8	82	-	-	-	-	-	-	90	-	90	
As at 31st March 2012	43,386	37,085	20,190	234,621	30,336	1,218,577	686,600	105,971	2,376,766	-	2,376,766	
<b>Profit for the period</b>	-	-	-	-	-	-	-	13,701	13,701	-	13,701	
<b>Other comprehensive income:</b>												
Change in fair value of available-for-sale financial assets	-	-	-	-	-	574,972	-	-	574,972	-	574,972	
Share of other comprehensive income arising from interest in a jointly controlled entity (net of tax)	-	-	-	-	-	34,408	-	-	34,408	-	34,408	
Exchange differences arising on translation of PRC subsidiaries	-	-	-	-	-	-	(12,652)	-	(12,652)	-	(12,652)	
<b>Total other comprehensive income</b>	-	-	-	-	-	609,380	(12,652)	-	596,728	-	596,728	
<b>Total comprehensive income for the period</b>	-	-	-	-	-	609,380	(12,652)	13,701	610,429	-	610,429	
<b>Transactions with owners:</b>												
Issue of shares under share option scheme	228	2,491	-	-	-	-	-	-	2,719	-	2,719	
<b>Total transactions with owners</b>	228	2,491	-	-	-	-	-	-	2,719	-	2,719	



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

For the six months ended 30th June 2013

	Attributable to owners of the parent										Non-controlling interests	Total equity
	Share capital	Share premium	Statutory reserves	Contributed surplus	Share option reserves	Investment revaluation reserves	Translation reserves	Accumulated losses	Sub Total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 30th June 2012	43,614	39,576	20,190	234,621	30,336	1,827,957	673,948	119,672	2,989,914	-	2,989,914	
<b>Loss for the period</b>	-	-	-	-	-	-	-	(513,255)	(513,255)	(210)	(513,465)	
<b>Other comprehensive loss:</b>												
Share of other comprehensive loss arising from interest in a jointly controlled entity (net of tax)	-	-	-	-	-	(145,135)	-	-	(145,135)	-	(145,135)	
Exchange differences arising on translation of PRC subsidiaries	-	-	-	-	-	-	13,116	-	13,116	-	13,116	
<b>Total other comprehensive loss</b>	-	-	-	-	-	(145,135)	13,116	-	(132,019)	-	(132,019)	
<b>Total comprehensive loss for the period</b>	-	-	-	-	-	(145,135)	13,116	(513,255)	(645,274)	(210)	(645,484)	
<b>Transactions with owners:</b>												
Issue of shares under share option scheme	74	2,117	-	-	(1,315)	-	-	-	876	-	876	
Transfer from retained profits to statutory reserves	-	-	245	-	-	-	-	(245)	-	-	-	
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	12,651	12,651	
<b>Total transactions with owners</b>	74	2,117	245	-	(1,315)	-	-	(245)	876	12,651	13,527	
As at 31st December 2012	43,688	41,693	20,435	234,621	29,021	1,682,822	687,064	(393,828)	2,345,516	12,441	2,357,957	

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30th June 2013

	For the six months ended 30th June	
	2013 HK\$'000	2012 HK\$'000
Net cash (used in)/generated from operating activities	<b>(15,518)</b>	46,004
Net cash generated from/(used in) investing activities	<b>129,249</b>	(5,018)
Net cash (used in)/generated from financing activities	<b>(63,189)</b>	28,762
Net increase in cash and cash equivalents	<b>50,542</b>	69,748
Cash and cash equivalents as at 1st January	<b>87,024</b>	84,097
Effect of foreign exchange rate changes	<b>1,372</b>	(596)
Cash and cash equivalents as at 30th June	<b><u>138,938</u></b>	<b><u>153,249</u></b>
Analysis of balances of cash and cash equivalents:		
Pledged bank deposits	<b>5,498</b>	29,396
Cash and bank balances	<b><u>133,440</u></b>	<u>123,853</u>
	<b><u>138,938</u></b>	<b><u>153,249</u></b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1 Basis of preparation

The unaudited condensed consolidated interim financial statements for the six months ended 30th June 2013 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with applicable disclosure provisions of the Rules Governing The Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. The accounts are unaudited but have been reviewed by the Company’s audit committee.

These condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31st December 2012. They have been prepared on the historical cost basis, except for investment properties, and financial assets/liabilities at fair value through profit or loss, which are measured at fair value.

The accounting policies used in preparing these unaudited condensed consolidated financial statements are consistent with those used in the Group’s audited consolidated financial statements for the year ended 31st December 2012. The adoption of the new/revised Hong Kong Financial Reporting Standards (“HKFRSs”) that are relevant to the Group and effective from the current period had no significant effects on the results and financial position of the Group for the current and prior periods, except that certain presentation and disclosures of condensed consolidated financial statements item have been revised. A summary of the main effect on the accounting policies adopted by the Group is set out below.

#### ***Amendments to HKAS 1: Presentation of items of other comprehensive income***

The amendments to HKAS 1 require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group’s presentation of other comprehensive income in this condensed consolidated statement of comprehensive income has been modified accordingly.

#### ***Amendments to HKAS 34: Interim financial reporting and segment information for total assets and liabilities***

The adoption of amendments to HKAS 34 does not result in a change in the accounting policies relating to financial assets and financial liabilities. The amendments to HKAS 34 require entities to disclose the measures of total assets and liabilities for particular reportable segment only if the amounts are regularly provided to the Group’s chief operating decision maker. The Group has provided these additional disclosures in note 3.

#### ***HKFRS 10: Consolidated financial statement***

HKFRS 10 replaces the requirement in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of condensed consolidated financial statements and HK-SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

## 1 **Basis of preparation** (Continued)

### **HKFRS 10: Consolidated financial statement** (Continued)

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusion reached by the Group in respect of its involvement with other entities as at 1st January 2013.

### **HKFRS 12: Disclosure of Interests in Other Entities**

HKFRS 12 specifies the disclosure requirements for subsidiaries, joint arrangements and associates, and introduces new requirements for unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in these unaudited condensed consolidated financial statements as a result of adopting HKFRS 12.

### **HKFRS 11: Joint arrangements and HKAS 28 Investment in Associates and Joint Ventures**

HKFRS 11 replaces the requirement in HKAS 31, *Interest in joint ventures* and HK-SIC 13 *Jointly controlled entities*. Under HKFRS 11 Investments in joint arrangements are classified either as joint operations or joint ventures, depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. HKFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, a jointly controlled entity that meets the definition of a joint venture should be accounted for using the equity method under HKAS 28 (2011). The adoption of HKFRS 11 does not have any financial impact to the Group.

### **HKFRS 13: Fair Value Measurement- Fair Value Measurement**

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in these condensed consolidated interim financial statements. In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement requirements prospectively. The Group has provided these disclosures in note 2. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

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

## 2 Fair value of financial instruments

In the opinion of the Directors, the carrying amounts of financial assets and liabilities approximate their fair values.

The following presents the carrying value of financial instruments measured at fair value as at 30th June 2013 across the three levels of the fair value hierarchy defined in HKFRS 7, *Financial Instruments: Disclosures*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments;
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data; and
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

### *Assets measured at fair value*

	<b>30th June 2013</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Financial assets at fair value through profit or loss (note 11)	<b><u>35,580</u></b>	<b><u>34,303</u></b>	<b><u>–</u></b>	<b><u>1,277</u></b>

During the six months ended 30th June 2013, there were no transfers between Level 1 and Level 2 fair value measurements.

## 2 Fair value of financial instruments (Continued)

### Financial instruments measured at fair value based on Level 3

The movements during the period in the balance of Level 3 fair value measurements are as follows:

	<b>Financial assets/ (liabilities) at fair value through profit or loss 30th June 2013 HK\$'000</b>
Opening balance	(98)
In profit or loss	
Net gains on change in fair value	<u>1,375</u>
Closing balance	<u><u>1,277</u></u>
Total gains for the period included in profit or loss for financial instruments held as at the balance sheet date	<u><u>1,375</u></u>

As at the balance sheet date, if the expected volatility of the investment portfolio held by Up Spacious Global Investments Limited ("Up Spacious"), a subsidiary of the Company, had been 20% higher or lower while all other variables were held constant, the Group's net loss would be increased by approximately HK\$115,000 or decreased by approximately HK\$3,000 respectively.

## 3 Turnover and segment information

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

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

The investing segment is principally engaged in trading of securities and interest in a jointly controlled entity which is principally engaged in investing in available-for-sale financial assets.

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

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

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

### 3 Turnover and segment information (Continued)

#### Business segments

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

	For the six months ended 30th June 2013					Consolidated HK\$'000
	Information home appliances HK\$'000	Investing HK\$'000	Trading HK\$'000	Other operations HK\$'000	Elimination HK\$'000	
<b>TURNOVER</b>						
External sales	269,198	-	173	-	-	269,371
Inter-segment sales	-	-	3,735	-	(3,735)	-
<b>OTHER REVENUE AND NET INCOME</b>	<b>71</b>	<b>5,267</b>	<b>-</b>	<b>4,508</b>	<b>(1,410)</b>	<b>8,436</b>
<b>SHARE OF RESULTS OF A JOINTLY CONTROLLED ENTITY</b>	<b>-</b>	<b>13,199</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,199</b>
Total	<u>269,269</u>	<u>18,466</u>	<u>3,908</u>	<u>4,508</u>	<u>(5,145)</u>	<u>291,006</u>
<b>RESULTS</b>						
Segment results	<u>(24,988)</u>	<u>6,190</u>	<u>(330)</u>	<u>1,820</u>	<u>-</u>	<u>(17,308)</u>
Unallocated corporate income						5,970
Interest income						838
Fair value gains on investment properties	-	-	-	2,910	-	2,910
Other unallocated corporate expenses						<u>(8,999)</u>
						(16,589)
Finance costs						<u>(16,607)</u>
Loss before taxation						(33,196)
Taxation						<u>2,743</u>
Loss for the period						<u><u>(30,453)</u></u>

### 3 Turnover and segment information (Continued)

#### Business segments (Continued)

	For the six months ended 30th June 2012					Consolidated HK\$'000
	Information home appliances HK\$'000	Investing HK\$'000	Trading HK\$'000	Other operations HK\$'000	Elimination HK\$'000	
<b>TURNOVER</b>						
External sales	444,560	-	703	-	-	445,263
Inter-segment sales	-	-	6,084	-	(6,084)	-
<b>OTHER REVENUE AND NET INCOME</b>	<u>1,256</u>	<u>1,232</u>	<u>150</u>	<u>4,394</u>	<u>(1,395)</u>	<u>5,637</u>
Total	<u>445,816</u>	<u>1,232</u>	<u>6,937</u>	<u>4,394</u>	<u>(7,479)</u>	<u>450,900</u>
<b>RESULTS</b>						
Segment results	<u>21,188</u>	<u>915</u>	<u>499</u>	<u>1,146</u>	<u>-</u>	23,748
Unallocated corporate income						1
Interest income						477
Fair value gains on investment properties	-	-	-	5,330	-	5,330
Other unallocated corporate expenses						<u>(11,024)</u>
Profit from operations						18,532
Finance costs						<u>(3,934)</u>
Profit before taxation						14,598
Taxation						<u>(1,297)</u>
Profit for the period						<u>13,301</u>



### 3 Turnover and segment information (Continued)

#### Segment assets and liabilities

The following table presents segment assets and liabilities of the Group's business segments as at 30th June 2013 and 31st December 2012:

	As at 30th June 2013					
	Information			Other		
	home	Investing	Trading	operations	Unallocated	Consolidated
	appliances	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>ASSETS</b>						
Interest in a jointly controlled entity	-	2,074,719	-	-	-	2,074,719
Other assets	<u>374,460</u>	<u>45,277</u>	<u>6,026</u>	<u>66,512</u>	-	<u>492,275</u>
Segment assets	374,460	2,119,996	6,026	66,512	-	2,566,994
Unallocated corporate assets					57,890	<u>57,890</u>
Consolidated total assets						<u><u>2,624,884</u></u>
<b>LIABILITIES</b>						
Segment liabilities	230,574	21,535	2,278	11,318	-	265,705
Settlement fee payable					540,768	540,768
Unallocated corporate liabilities					25,685	<u>25,685</u>
Consolidated total liabilities						<u><u>832,158</u></u>

### 3 Turnover and segment information (Continued)

#### Segment assets and liabilities (Continued)

	As at 31st December 2012					
	Information			Other		
	home appliances HK\$'000	Investing HK\$'000	Trading HK\$'000	operations HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<b>ASSETS</b>						
Interest in a jointly controlled entity	-	2,535,249	-	-	-	2,535,249
Other assets	<u>426,820</u>	<u>144,942</u>	<u>7,484</u>	<u>64,149</u>	<u>-</u>	<u>643,395</u>
Segment assets	426,820	2,680,191	7,484	64,149	-	3,178,644
Unallocated corporate assets					17,758	<u>17,758</u>
Consolidated total assets						<u><u>3,196,402</u></u>
<b>LIABILITIES</b>						
Segment liabilities	258,325	21,596	2,900	11,555	-	294,376
Settlement fee payable	-	-	-	-	520,291	520,291
Unallocated corporate liabilities					23,778	<u>23,778</u>
Consolidated total liabilities						<u><u>838,445</u></u>

### 3 Turnover and segment information (Continued)

#### **Geographical information**

The Group operates in the following principal geographical areas: the People's Republic of China (other than Hong Kong and Macau) (the "PRC"), Hong Kong, Australia and other overseas markets (2012: the PRC, Hong Kong, Australia, Russia and other overseas markets).

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the services were provided or the goods were delivered.

	<b>Revenue from external customers</b>	
	<b>For the six months ended 30th June</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
The PRC	<b>175,715</b>	271,957
Hong Kong	<b>39,795</b>	20,681
Australia	<b>21,384</b>	68,974
Russia	–	61,965
Other overseas markets	<b>32,477</b>	21,686
	<b>269,371</b>	445,263

In addition to the information disclosed above, the Group generated other revenue and net income from information home appliances segment of approximately HK\$71,000 (six months ended 30th June 2012: approximately HK\$1,256,000) in the PRC, and the Group generated other revenue and net income from investing segment of approximately HK\$3,859,000 (six months ended 30th June 2012: approximately HK\$7,000) and approximately HK\$1,408,000 (six months ended 30th June 2012: approximately HK\$1,225,000) in the PRC and Hong Kong respectively.

The Group generated other revenue and net income from trading segment of HK\$Nil (six months ended 30th June 2012: approximately HK\$150,000) in the PRC, and the Group generated other revenue and net income from other operations segment of approximately HK\$2,402,000 (six months ended 30th June 2012: approximately HK\$2,303,000) and approximately HK\$696,000 (six months ended 30th June 2012: approximately HK\$696,000) in the PRC and Hong Kong respectively.

#### 4 (Loss)/Profit before taxation

(Loss)/Profit before taxation has been arrived at after (crediting)/charging the following items:

	For the six months ended 30th June		For the three months ended 30th June	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Finance costs</b>				
Interest on bank loans wholly repayable within 5 years	5,430	3,772	4,051	2,224
Interest on bank loans wholly repayable over 5 years	<u>147</u>	<u>162</u>	<u>74</u>	<u>81</u>
Total interest on bank borrowings	5,577	3,934	4,125	2,305
Amortised interest expenses in respect of settlement fee payable	<u>11,030</u>	<u>–</u>	<u>5,550</u>	<u>–</u>
	<b><u>16,607</u></b>	<b><u>3,934</u></b>	<b><u>9,675</u></b>	<b><u>2,305</u></b>
<b>Other items</b>				
Net realised gains on disposal of financial assets at fair value through profit or loss	(1,196)	–	(1,163)	–
Net unrealised holding gains on financial assets at fair value through profit or loss	–	(1,150)	–	(996)
Net realised losses on disposal of financial assets at fair value through profit or loss	–	312	–	371
Net unrealised holding losses on financial assets at fair value through profit or loss	12,246	–	9,481	–
Impairment on inventories	7,125	233	4,604	1,003
Amortisation of prepaid lease payments	192	190	96	95
Depreciation of property, plant and equipment	<u>4,426</u>	<u>4,150</u>	<u>2,272</u>	<u>2,092</u>
Total depreciation and amortisation	<b><u>4,618</u></b>	<b><u>4,340</u></b>	<b><u>2,368</u></b>	<b><u>2,187</u></b>

## 5 Taxation

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

	For the six months ended 30th June		For the three months ended 30th June	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
PRC enterprise income tax	<u>(2,743)</u>	<u>1,297</u>	<u>(2,743)</u>	<u>286</u>

The income tax provision in respect of operations in the PRC is calculated at the applicable tax rate of 25% on the estimated assessable profits for the six months and three months ended 30th June 2013 and 2012 based on existing legislation, interpretations and practices in respect thereof. Two operating subsidiaries (2012: one) of the Company have been officially designated by the local tax authority as "New and High Technology Enterprise". As a result, the effective tax rate for these subsidiaries is 15% for the six months and three months ended 30th June 2013.

No Hong Kong Profits Tax has been provided for the six months and three months ended 30th June 2013 and 2012 as the Group did not have any assessable profit from Hong Kong for both periods.

## 6 Dividends

	For the six months ended 30th June	
	2013 HK\$'000	2012 HK\$'000
Interim dividends for 2013 declared on 10th May 2013 of HK\$0.05 (2012: HK\$Nil) per share	<u>89,606</u>	<u>—</u>

## 7 (Loss)/Earnings per share

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

	For the six months ended 30th June		For the three months ended 30th June	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss)/Profit attributable to owners of the parent	<b><u>(25,766)</u></b>	<u>13,301</u>	<b><u>(9,480)</u></b>	<u>13,701</u>
	For the six months ended 30th June		For the three months ended 30th June	
	2013	2012	2013	2012
	'000	'000	'000	'000
Issued ordinary shares at 1st January	<b>1,747,506</b>	1,735,120	–	–
Issued ordinary shares at 1st April	–	–	<b>1,754,448</b>	1,735,424
Effect of share options exercised	<b><u>19,543</u></b>	<u>2,878</u>	<b><u>29,383</u></b>	<u>5,382</u>
Weighted average number of ordinary shares for basic (loss)/earnings per share	<b><u>1,767,049</u></b>	<u>1,737,998</u>	<b><u>1,783,831</u></b>	<u>1,740,806</u>
Effect of dilutive potential ordinary shares: Exercise of share options	<u>N/A</u>	<u>33,678</u>	<u>N/A</u>	<u>34,789</u>
Weighted average number of ordinary shares for diluted (loss)/earnings per share	<b><u>1,767,049</u></b>	<u>1,771,676</u>	<b><u>1,783,831</u></b>	<u>1,775,595</u>
(Loss)/Earnings per share:				
– Basic	<b><u>(1.46) cents</u></b>	<u>0.77 cent</u>	<b><u>(0.53) cent</u></b>	<u>0.79 cent</u>
– Diluted (Note)	<b><u>(1.46) cents</u></b>	<u>0.75 cent</u>	<b><u>(0.53) cent</u></b>	<u>0.77 cent</u>

## 7 (Loss)/Earnings per share (Continued)

Note:

Diluted loss per share is the same as the basic loss per share for the six months and three months ended 30th June 2013 because the effect of potential ordinary share is anti-dilutive.

The calculation of diluted earnings per share for the six months and three months ended 30th June 2012 is based on the profit attributable to owners of the parent of approximately HK\$13,301,000 and HK\$13,701,000 respectively, and the weighted average number of ordinary shares issued during the periods of approximately 1,737,998,000 and 1,740,806,000 respectively after adjusting for the number of dilutive potential ordinary shares arising from the outstanding share options granted under the Company's share option scheme.

## 8 Property, plant and equipment

During the period, the Group expended approximately HK\$2,946,000 (six months ended 30th June 2012: approximately HK\$5,252,000) on the acquisition of equipment for the expansion of the Group's operations.

## 9 Interest in a jointly controlled entity

	<b>30th June 2013 HK\$'000</b>	31st December 2012 HK\$'000
Interest in a jointly controlled entity		
Share of net assets	<b><u>2,074,719</u></b>	<b><u>2,535,249</u></b>

Details of the jointly controlled entity at the end of the reporting period are as follows:

Name of jointly controlled entity	Principal place of operation/ Place of incorporation	Class of share held	Proportion of nominal value of issued/registered capital held by the Company	Principal activity
Gongbujiangda Jiangnan Industrial Development Company Limited ("JI")	The PRC	Ordinary	36.66%	Investment in A shares of Ping An Insurance (Group) Company of China, Ltd. ("Ping An Shares")

## 9 Interest in a jointly controlled entity (Continued)

Summary of financial information of the jointly controlled entity is as follows:

	<b>30th June 2013 HK\$'000</b>	31st December 2012 HK\$'000
Share of the jointly controlled entity's assets and liabilities:		
Non-current assets	<b>2,173,876</b>	2,626,884
Current assets	<b>320</b>	76,648
Current liabilities	<b>(306)</b>	(70,860)
Non-current liabilities	<b>(99,171)</b>	(97,423)
	<hr/> <b>2,074,719</b> <hr/>	<hr/> 2,535,249 <hr/>
Net assets		
Share of the jointly controlled entity's results:		
Revenue	<b>19,211</b>	26,002
Expenses	<b>(6,012)</b>	(2,304)
	<hr/> <b>13,199</b> <hr/>	<hr/> 23,698 <hr/>

The above financial information is prepared using the same accounting policies as those adopted by the Group.

Included in the share of net assets of a jointly controlled entity was 51,000,000 Ping An Shares with fair value of approximately HK\$2,074,705,000 as at 30th June 2013 (as at 31st December 2012: approximately HK\$2,529,461,000) for which the Company, through Beijing Golden Yuxing Electronics and Technology Company Limited ("Golden Yuxing"), one of the wholly-owned subsidiary of the Group, held 36.66% equity interest in J1 (and hence the associated economic benefits in respect of the corresponding 51,000,000 Ping An Shares) in accordance with the bilateral agreement (the "Agreement") with 林芝正大環球投資有限公司 (the "JI Shareholder") who holds 63.34% equity interest in J1, for the purpose of governing their respective interest in Ping An Shares through their equity interest in J1. According to the Agreement, all significant matters of J1 have to be approved by both shareholders. In the opinion of the Directors, both Golden Yuxing and the JI Shareholder share joint control over the economic activities of J1 and none of the participating parties has unilateral control over the economic activities, hence the associated economic benefits of the 51,000,000 Ping An Shares attributed to Golden Yuxing remain unchanged.

As at 30th June 2013, the fair value of 51,000,000 Ping An Shares was determined by Vigers Appraisal & Consulting Limited ("Vigers"), which was based on its market value with the impact of freezing order and the relevant releasing arrangement as specified in the settlement fee payable in note 13 being taken into consideration by using the Discount for Lack of Marketability Model. Accordingly, a loss on change in fair value of Ping An Shares (net of tax) of approximately HK\$500,163,000 (equivalent to approximately RMB398,430,000) as at 30th June 2013 was recorded in other comprehensive loss (as at 31st December 2012: approximately HK\$110,727,000 (equivalent to approximately RMB89,788,000)).



## 10 Trade and other receivables

The Group grants its trade customers with an average credit period of 30 days to 18 months (as at 31st December 2012: 30 days to 18 months). Included in trade and other receivables are trade and bills receivables (net of impairment) with the following ageing analysis by delivery date:

	<b>30th June 2013 HK\$'000</b>	31st December 2012 HK\$'000
0 – 30 days	<b>51,321</b>	77,323
31 – 60 days	<b>23,329</b>	19,850
61 – 90 days	<b>21,992</b>	46,846
Over 90 days	<b>13,535</b>	4,167
	<b>110,177</b>	148,186

## 11 Financial assets at fair value through profit or loss

	<b>30th June 2013 HK\$'000</b>	31st December 2012 HK\$'000
Held-for-trading investments:		
Listed equity securities in Hong Kong (a)	<b>1,702</b>	1,948
Listed equity securities outside Hong Kong (a)	<b>32,601</b>	43,547
Unlisted investment fund outside Hong Kong	–	9,866
Derivative financial instruments (b)	<b>1,277</b>	–
	<b>35,580</b>	55,361

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

### Notes:

- (a) The fair value of listed equity securities is based on quoted market prices in active markets as at the balance sheet date.
- (b) In 2012, Yuxing Technology Company Limited ("YXT"), a wholly-owned subsidiary of the Company, and a third party (the "Counterparty") established a new legal entity namely Up Spacious, a company incorporated in the British Virgin Islands. YXT holds 66.67% equity interest in Up Spacious with an initial investment cost of HK\$20,000,000 whereas the Counterparty holds the remaining shareholding of 33.33% in Up Spacious with an initial investment cost of HK\$10,000,000. The principal activity of Up Spacious is trading of securities. Thereafter, YXT entered into a contract with the Counterparty pursuant to which the Counterparty has the right to receive a variable amount of cash payment (i.e. based on various ranges of target returns as specified in the contract) from YXT ("Call Option") if the profit to be shared by YXT from the investment portfolio of Up Spacious exceeds 16.0% per annum of YXT's capital contribution at the expiration of the contract on 4th April 2015 ("Expiration Date"). In the meantime, YXT is entitled to exercise a right to terminate the investment and receive a variable amount of cash payment (limited to HK\$6,600,000, representing 33.33% of total capital contribution by YXT in Up Spacious) from the Counterparty ("Put Option") if the profit to be shared by YXT from the investment portfolio of Up Spacious is less than 16.0% per annum on YXT's capital contribution at the Expiration Date or the net asset value of Up Spacious reduced to HK\$20,000,000 (that is 2/3 of the initial capital contribution of the investors) on or before the Expiration Date. No cash consideration was paid by the Group or received from the Counterparty for the above Put Option and Call Option.

The net fair value gain of the above Put Option and Call Option was amounting to approximately HK\$4,830,000 at the inception of the contract ("Day-one Gain"), which was valued by Vigers using Binomial Model. As the valuation was not only based on observable market data, the Group would not recognise such net Day-one Gain until the close of the position.

Net loss on change in fair value of the above Put Option and Call Option of approximately HK\$98,000 was recognised to profit or loss for the year ended 31st December 2012 following to the revaluation by Vigers using Binomial Model.

As at 30th June 2013, the fair value of the above Put Option and Call Option were re-measured by Vigers using Binomial Model and net gain on change in fair value of financial assets at fair value through profit or loss of approximately HK\$1,375,000 was recognised to profit or loss for the six months ended 30th June 2013.

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

Notes: (Continued)

(b) (Continued)

Major inputs to the analysis of the options at 30th June 2013 are summarised as follows:

<b>Nature of derivatives</b>	<b>Put option</b>	<b>Call option</b>
Underlying assets	Net assets value of Up Spacious	Net assets value of Up Spacious
Expected life	1.8 years	1.8 years
Exercisable period	Between the inception date of the contract and the Expiration Date	On the Expiration Date (if Put Option is not exercised)
Expected volatility	45.54%	45.54%
Risk free rate	0.37%	0.37%

The exercise price of the options is set out in the contract entered into with the Counterparty as described above.

The expected volatility is determined with reference to the historical volatilities of the investment portfolio held by Up Spacious over the expected option period. The management has assumed that Up Spacious only holds the shares of a listed company in its investment portfolio throughout the expected option period.

The following table shows the changes in unrecognised Day-one Gain as at 30th June 2013:

	<b>HK\$'000</b>
Fair value of contracts not recognised through profit or loss as at 1st January 2013	4,830
Net fair value gain of new contract at inception not recognised in profit or loss	—
Fair value of contracts not recognised through profit or loss as at 30th June 2013	<b>4,830</b>

## 12 Trade and other payables

Included in trade and other payables are trade and bills payables with the following ageing analysis:

	<b>30th June 2013 HK\$'000</b>	31st December 2012 HK\$'000
0 – 30 days	<b>18,717</b>	61,109
31 – 60 days	<b>13,842</b>	44,780
61 – 90 days	<b>11,776</b>	29,086
Over 90 days	<b>72,304</b>	19,929
	<b>116,639</b>	154,904

## 13 Settlement fee payable

	<b>30th June 2013 HK\$'000</b>	31st December 2012 HK\$'000
As at 1st January	<b>520,291</b>	–
Settlement fee in respect of court settlement charged to profit or loss	–	518,436
Amortised interest expenses for settlement fee charged to profit or loss	<b>11,030</b>	–
Exchange realignment	<b>9,447</b>	1,855
As at balance sheet date	<b>540,768</b>	520,291
Portion classified as current liabilities	<b>(367,319)</b>	(184,980)
Non-current portion	<b>173,449</b>	335,311

### 13 Settlement fee payable (Continued)

*Note:*

References are made to the announcements of the Company dated 30th January 2013 and 4th February 2013 (“Settlement Announcements”) and the circular of the Company dated 28th February 2013 (the “Circular”), Golden Yuxing and Guangdong Jianlibao Group Company Limited (“JLB Group”) entered into a settlement agreement on 30th January 2013 (“Settlement Agreement”) with a view to settling certain legal proceedings between them (the “Legal Proceedings”). As a number of other parties were also involved in the Legal Proceedings, Golden Yuxing and JLB Group entered into another settlement agreement with the other involved parties. On 4th February 2013, Golden Yuxing and certain subsidiaries of the Company, JLB Group and all other involved parties entered into the final settlement agreement (“Final Settlement Agreement”, and together with Settlement Agreement, collectively referred as “Settlement Agreements”) pursuant to which Golden Yuxing agreed to pay the settlement fee of RMB450.0 million (“Settlement Fee”) to JLB Group or its designated entities in three tranches with a view to settling the Legal Proceedings and extinguishing any existing and possible claims, liabilities, or other rights and obligations that existed between the parties before signing the Final Settlement Agreement. In the meantime, the Company has agreed to provide a guarantee (“New Guarantee”) for a maximum amount of RMB450.0 million to Golden Yuxing in favour of JLB Group in respect of the payment obligations of Golden Yuxing under the Settlement Agreements. The New Guarantee will be automatically terminated upon the full payment of the Settlement Fee. The Settlement Agreements and the provision of New Guarantee were approved by the shareholders of the Company (the “Shareholders”) at the special general meeting of the Company on 18th March 2013. Further details are set out in the Company’s announcements dated 30th January 2013, 4th February 2013, 18th March 2013, 27th March 2013, 11th April 2013 and 7th May 2013, and the Circular.

On 7th May 2013, the Board further announced that the Company received a certification letter (the “Certification”) dated 24th April 2013 from 西藏自治區工布江達縣工商行政管理局 (Gongbujiangda County Administration for Industry and Commerce, Tibet Autonomous Region) at which JI is registered. The Certification confirms the receipt of two separate execution notices issued by the Intermediate People’s Court of Foshan of Guangdong Province, the PRC on 24th April 2013 and the Higher People’s Court of Guangdong Province, the PRC (the “Guangdong Higher Court”) on 11th April 2013 in support of the release of Golden Yuxing’s 29.472% equity interest in JI (and hence the associated economic benefits of 41 million Ping An Shares). On this basis, the release date, that is, the next day after the date of acknowledgement by the relevant local Administration for Industry and Commerce of the notice issued by the Guangdong Higher Court in relation to the release of Golden Yuxing’s 29.472% equity interest in JI (and hence the associated economic benefits of 41 million Ping An Shares) has been confirmed to be 25th April 2013. According to the Settlement Agreements, the remaining 3.594% and 3.594% equity interests in JI held by Golden Yuxing will continue to be frozen by the Guangdong Higher Court until upon the settlement of second tranche and third tranche of Settlement Fee respectively.

### 13 Settlement fee payable (Continued)

Note: (Continued)

The first and second tranches of Settlement Fee for an aggregate undiscounted amount of RMB300,000,000 (equivalent to approximately HK\$370,000,000) would be due within one year from the date of reporting and is therefore classified as current liabilities, and the remaining third tranche for the undiscounted amount of RMB150,000,000 (equivalent to approximately HK\$185,000,000) will be paid in October 2014 is therefore classified as non-current liabilities. The amortised interest expenses for the six months ended 30th June 2013 was approximately HK\$11,030,000 (equivalent to RMB8,873,000) of the second and third tranches have been included in the settlement fee payable which is determined based on the present value of the estimated future cash flows discounted using an interest rate of 5.92% per annum, which is similar to the effective interest rate of the Group's bank borrowings.

### 14 Pledge of assets

At 30th June 2013, the Group had pledged the following assets to secure its banking and other loan facilities:

- (a) Investment properties of the Group with carrying value of HK\$49,390,000 (31st December 2012: HK\$46,480,000);
- (b) Prepaid lease payments, buildings and leasehold improvements of the Group with carrying values of approximately HK\$13,561,000 (31st December 2012: approximately HK\$13,513,000), approximately HK\$66,649,000 (31st December 2012: approximately HK\$66,892,000) and approximately HK\$300,000 (31st December 2012: approximately HK\$306,000) respectively;
- (c) The trade receivables from third parties of the Group with carrying value of approximately HK\$50,309,000 (31st December 2012: approximately HK\$47,088,000);
- (d) A leasehold property of the Group with carrying value of approximately HK\$2,584,000 (31st December 2012: approximately HK\$2,633,000);
- (e) Bank deposits of the Group with carrying value of approximately HK\$5,498,000 (31st December 2012: approximately HK\$24,318,000); and
- (f) Financial assets at fair value through profit or loss of the Group with carrying value of approximately HK\$2,558,000 (31st December 2012: approximately HK\$3,401,000).

## 15 Share Capital

	Number of shares		Amount	
	30th June 2013 '000	31st December 2012 '000	30th June 2013 HK\$'000	31st December 2012 HK\$'000
<b>Authorised:</b>				
At beginning and end of period/year				
Ordinary shares of HK\$0.025 each	<u>8,000,000</u>	<u>8,000,000</u>	<u>200,000</u>	<u>200,000</u>
<b>Issued and fully paid:</b>				
At beginning of period/year				
Ordinary shares of HK\$0.025 each	<u>1,747,506</u>	1,735,120	<u>43,688</u>	43,378
Exercise of share options	<u>44,611</u>	<u>12,386</u>	<u>1,115</u>	<u>310</u>
At end of period/year				
Ordinary shares of HK\$0.025 each	<u>1,792,117</u>	<u>1,747,506</u>	<u>44,803</u>	<u>43,688</u>

## RESERVES

Movements in the reserves of the Group for the six months ended 30th June 2013 (the "Period") are set out in the unaudited condensed consolidated statement of changes in equity of the financial statements.

## INTERIM DIVIDENDS

The Board does not recommend the payment of any interim dividend for the three months ended 30th June 2013. During the six months ended 30th June 2013, an interim dividend of HK\$0.05 per share totaling approximately HK\$89.6 million was declared and distributed (for the six months and three months ended 30th June 2012: HK\$Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Turnover and Gross Profit

During the period under review, the Group's overall turnover and gross profit amounted to approximately HK\$269.4 million and HK\$12.0 million respectively for the Period, representing a substantial decrease of 39.5% and 79.2% respectively as compared with the same period of last year. This decrease in overall turnover for the Period was mainly attributable to the weakened order procurement sentiment of the PRC and overseas customers, more intense competition, as well as seasonal effects in the first half of 2013, which have contributed to a softened demand for the Group's products. As a result, the Group's turnover under Information Home Appliances ("IHA") segment derived from the PRC and overseas markets for the Period decreased significantly by 35.3% and 64.7% to approximately HK\$175.5 million and HK\$53.9 million respectively as compared with the same period of last year. On the other hand, except the substantial decrease in the Group's overall turnover, the significant drop in the Group's overall gross profit for the Period were also due to a one-off products replacement cost and compensation for servicing such replacement of totaling approximately HK\$6.7 million to a customer and the net impairment on inventories of approximately HK\$7.1 million.



## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### FINANCIAL REVIEW *(Continued)*

#### Operating Results

##### *Other Revenue and Net Income*

Other revenue and net income increased by 149.3% to approximately HK\$15.2 million for the Period (six months ended 30th June 2012: approximately HK\$6.1 million). This increase was mainly attributable to a one-off referral fee income of approximately HK\$5.8 million (six months ended 30th June 2012: HK\$Nil) and the fixed deposit interest income relating to the dividends of Gongbujiangda Jiangnan Industrial Development Co., Ltd. ("JI") which were unfrozen and released by way of court order in the PRC as described below, of approximately HK\$2.6 million for the Period (six months ended 30th June 2012: HK\$Nil).

##### *Operating Expenses*

With the decrease of the Group's turnover in the first half of 2013, the Group's overall selling expenses also decreased by 27.0% to approximately HK\$7.8 million for the Period as compared with the same period of last year. At the same time, general and administrative expenses slightly increased by 0.6% to approximately HK\$38.4 million for the Period as compared with the corresponding period in 2012.

##### *Other Operating Expenses*

Other operating expenses increased to approximately HK\$13.7 million for the Period (six months ended 30th June 2012: approximately HK\$1.6 million). The main reason was that the Group recorded unrealised losses on certain financial assets of approximately HK\$12.2 million for the Period (six months ended 30th June 2012: realised losses of approximately HK\$0.3 million).

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### FINANCIAL REVIEW *(Continued)*

#### Operating Results *(Continued)*

##### *Finance Costs*

Finance costs of the Group increased to approximately HK\$16.6 million for the Period (six months ended 30th June 2012: approximately HK\$3.9 million). Such increase in finance costs was due to the amortised interest expenses of approximately HK\$11.0 million for the Period (six months ended 30th June 2012: HK\$Nil) in respect of the settlement fee payable to the Guangdong Jianlibao Group Company Limited ("JLB Group") or its designated entities (further details regarding the settlement fee payable are set out in note 13 to the condensed consolidated financial statements).

##### *Loss for the Period*

Due to the reasons set out above, the Group recorded a loss attributable to owners of the parent of approximately HK\$25.8 million for the Period, while the Group recorded a profit attributable to owners of the parent of approximately HK\$13.3 million for the six months ended 30th June 2012.

#### Liquidity, Charge on Group Assets and Financial Resources

As at 30th June 2013, the Group had cash and bank balances and pledged bank deposits of approximately HK\$133.4 million and HK\$5.5 million respectively. The Group's financial resources were funded mainly by short-term bank loans and mortgage loans of totaling approximately HK\$113.6 million and its shareholders' funds. As at 30th June 2013, the Group's current ratio, as calculated by dividing current assets by current liabilities, was 0.6 times and the gearing ratio, as measured by total liabilities divided by total equity, was 46.4%.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

### **FINANCIAL REVIEW** *(Continued)*

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

Due to the settlement fee payable of approximately HK\$367.3 million recorded in the current liabilities, the Group had net current liabilities of approximately HK\$266.7 million as at 30th June 2013 (further details regarding the settlement fee payable are set out in note 13 to the condensed consolidated financial statements). The Group may use the proceeds of possible disposal of the Company's indirect economic interest in A shares of Ping An Insurance (Group) Company of China, Ltd. ("Ping An Shares") through JI, internally generated resources or external financing to settle these settlement fees when they become due in order to maintain sufficient level of operations and assets of sufficient value to warrant its listing status (further details regarding the possible disposal of the Company's indirect economic interest in Ping An Shares through JI are set out in the circular of the Company dated 28th February 2013 (the "Circular").

#### **Capital Structure**

The shares of the Company were listed on GEM on 31st January 2000. The changes in the capital structure of the Company for the Period are set out in note 15 to the condensed consolidated financial statements.

#### **Significant Investments/Material Acquisitions or Disposals**

The Group had no significant investment and no material acquisition or disposal for the six months ended 30th June 2013.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### FINANCIAL REVIEW *(Continued)*

#### Segment Information

The Group's star business segment is IHA. The total turnover of the IHA segment for the Period and the three months ended 30th June 2013 decreased by 39.5% and 42.5% respectively to approximately HK\$269.2 million and HK\$116.4 million as compared with the corresponding periods of last year. During the period under review, due to the weakened order procurement sentiment of a PRC customer and more intense competition as well as seasonal effects in the first half of 2013, this led to a significant decrease in the selling price of set-top boxes ("STB"). Therefore, the sales record of the IHA segment in the PRC for the Period decreased significantly by 35.3% to approximately HK\$175.5 million as compared with the same period of last year. For the overseas markets, with the significant reduction in purchase orders from a few overseas customers, especially, sales in Russia for the Period decreased to HK\$Nil, and sales in Australia for the Period also decreased by 69.0% to approximately HK\$21.4 million as compared with the same period of last year. As a result, overall overseas turnover decreased significantly by 64.7% to approximately HK\$53.9 million for the Period as compared with the same period of last year. In the Hong Kong market, due to the increase in purchase orders from a Hong Kong customer, the turnover of the IHA segment in the Hong Kong market increased by 92.4% from the same period of last year to approximately HK\$39.8 million for the Period. However, with the significant drop of turnover in the PRC and the overseas markets, coupled with a one-off products replacement cost and compensation for servicing such replacement of totaling approximately HK\$6.7 million to a customer and the net impairment on inventories of approximately HK\$7.1 million, the Group recorded a loss of approximately HK\$25.0 million in the IHA segment for the Period (six months ended 30th June 2012: a profit of approximately HK\$21.2 million).

The Group's investing segment is principally engaged in trading of securities and interest in a jointly controlled entity which is principally engaged in investing in available-for-sale financial assets. This segment recorded a profit of approximately HK\$6.2 million for the Period (six months ended 30th June 2012: approximately HK\$0.9 million). The main reason for this profit was that the Group included share of results of a jointly controlled entity of approximately HK\$13.2 million in this segment for the Period (six months ended 30th June 2012: HK\$Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### FINANCIAL REVIEW *(Continued)*

#### Segment Information *(Continued)*

In respect of the Group's trading segment, because of the lack of new breakthrough in recent years, the Group recorded a small loss of approximately HK\$0.3 million in this segment for the Period (six months ended 30th June 2012: a profit of approximately HK\$0.5 million). As to the other operations segment of the Group, due to the decrease in the operating cost in this segment, the result of this segment increased by 58.8% to approximately HK\$1.8 million for the Period as compared with the same period of last year.

Geographical markets of the Group were mainly located in the PRC during the period under review. The turnover for the Period generated from the PRC market significantly decreased by 35.4% to approximately HK\$175.7 million as compared with the same period of last year. This decrease was mainly attributable to the weakened order procurement sentiment of a PRC customer and more intense competition as well as seasonal effects. As to overseas markets, other than no sales in Russia market, sales in Australia and other overseas markets for the Period of approximately HK\$21.4 million and HK\$32.5 million were recorded respectively, representing a significant decrease of 69.0% and an increase of 49.8% respectively as compared with the same period of last year. While the turnover generated from Hong Kong market increased significantly by 92.4% to approximately HK\$39.8 million for the Period as compared with the same period of last year.

#### Exposure to Fluctuations in Exchange Rates

Most of the trading transactions of the Group were denominated in United States dollars and in Renminbi. The assets of the Group were mainly denominated in Renminbi and the remaining portions were denominated in Hong Kong dollars. The official exchange rates for United States dollars, Hong Kong dollars and Renminbi have been relatively stable for the Period and no hedging or other alternative measures have been implemented by the Group. As at 30th June 2013, the Group had no significant exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### FINANCIAL REVIEW *(Continued)*

#### Human Resources

As at 30th June 2013, the Group had over 680 (30th June 2012: over 900) full time employees, of which 11 (30th June 2012: 11) were based in Hong Kong and the rest were in the PRC. Staff costs of the Group amounted to approximately HK\$38.6 million for the Period (six months ended 30th June 2012: approximately HK\$39.4 million). All employees of the Company's subsidiaries are selected and promoted based on their suitability for the position offered. The salary and benefit levels of the Group's employees are in line with the market. Employees are rewarded on a performance-related basis within the general framework of the Group's remuneration system which is reviewed annually. In addition to the basic salaries, staff benefits also include medical scheme, various insurance schemes and share options scheme.

#### BUSINESS REVIEW

During the period under review, the Group's overall turnover amounted to approximately HK\$269.4 million, representing a significant decrease of 39.5% as compared with the same period of last year, which was mainly attributable to the weakened order procurement sentiment of customers, more intense competition, as well as seasonal effects in the first half of 2013. Meanwhile, except the substantial decrease in the Group's overall turnover, the significant drop in the Group's overall gross profit for the Period by 79.2% to approximately HK\$12.0 million as compared with the same period of last year were also due to a one-off products replacement cost and compensation for servicing such replacement of totaling approximately HK\$6.7 million to a customer and the net impairment of inventories of approximately HK\$7.1 million.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### BUSINESS REVIEW *(Continued)*

In the PRC market, the Group had successfully launched, through cooperation with one of the largest PRC telecom equipment and system providers, various types of STB into areas including Guangdong Province, Hubei Province, Sichuan Province, Shanxi Province, Liaoning Province, Anhui Province, Shanghai and Chongqing Municipalities, etc. and also newly added a number of stations recently. The Group has taken a proactive approach to explore new markets and sold its products through the telecom channels during the period under review. However, due to the weakened order procurement sentiment of this PRC customer in the first half of 2013, this led to a significant decrease in the selling price of STB. Therefore, the turnover of the Group in the PRC market for the Period decreased significantly by 35.4% to approximately HK\$175.7 million as compared with the same period of last year.

In the overseas markets, the Group maintained cooperation relationship with various existing telecom operators and system integration suppliers. The Group has managed to forward continuous shipments of its products to customers in Belgium, Spain and Sweden, etc. The Group's products, including not only Internet Protocol Television ("IPTV") but also music and video, had provided quality entertainment experience to the end users. However, due to the significant reduction in purchase orders from a few overseas customers, especially, sales in Russia for the Period decreased to HK\$Nil, and sales in Australia for the Period also decreased significantly by 69.0% to approximately HK\$21.4 million as compared with the same period of last year. Consequently, overall overseas turnover decreased significantly by 64.7% to approximately HK\$53.9 million for the Period as compared with the same period of last year.

As one of the leading suppliers of IPTV STB in Hong Kong, the Group maintained great cooperation with a Hong Kong telecommunication operator in its marketing activities. The launch of its high digital STB in the market received good responses from users in the first half of 2013, resulting in the significantly increase in the Group's turnover in Hong Kong market by 92.4% to approximately HK\$39.8 million for the Period as compared with the same period of last year.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### BUSINESS REVIEW *(Continued)*

References are made to the announcements of the Company dated 30th January 2013 and 4th February 2013 (“Settlement Announcements”) and the Circular, Beijing Golden Yuxing Electronics and Technology Company Limited (“Golden Yuxing”), one of the wholly-owned subsidiary of the Company, and JLB Group entered into a settlement agreement on 30th January 2013 (“Settlement Agreement”) with a view to settling certain legal proceedings between them (the “Legal Proceedings”). As a number of other parties were also involved in the Legal Proceedings, Golden Yuxing and JLB Group entered into another settlement agreement with the other involved parties. On 4th February 2013, Golden Yuxing and certain subsidiaries of the Company, JLB Group and all other involved parties entered into the final settlement agreement (“Final Settlement Agreement”, and together with Settlement Agreement, collectively referred as “Settlement Agreements”) pursuant to which Golden Yuxing agreed to pay the settlement fee of RMB450.0 million (“Settlement Fee”) to JLB Group or its designated entities in three tranches with a view to settling the Legal Proceedings and extinguishing any existing and possible claims, liabilities, or other rights and obligations that existed between the parties before signing the Final Settlement Agreement. In the meantime, the Company has agreed to provide a guarantee (“New Guarantee”) for a maximum amount of RMB450.0 million to Golden Yuxing in favour of JLB Group in respect of the payment obligations of Golden Yuxing under the Settlement Agreements. The New Guarantee will be automatically terminated upon the full payment of the Settlement Fee. The Settlement Agreements and the provision of New Guarantee were approved by the shareholders of the Company (the “Shareholders”) at the special general meeting of the Company on 18th March 2013. Further details are set out in the Company’s announcements dated 30th January 2013, 4th February 2013, 18th March 2013, 27th March 2013, 11th April 2013 and 7th May 2013, and the Circular.



## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### BUSINESS REVIEW *(Continued)*

On 7th May 2013, the Board further announced that the Company received a certification letter (the "Certification") dated 24th April 2013 from 西藏自治區工布江達縣工商行政管理局 (Gongbujiangda County Administration for Industry and Commerce, Tibet Autonomous Region\*) at which JI is registered. The Certification confirmed the receipt of two separate execution notices issued by the Intermediate People's Court of Foshan of Guangdong Province, the PRC on 24th April 2013 and the Higher People's Court of Guangdong Province, the PRC (the "Guangdong Higher Court") on 11th April 2013 in support of the release of Golden Yuxing's 29.472% equity interest in JI (and hence the associated economic benefits of 41 million Ping An Shares). On this basis, the release date, that is, the next day after the date of acknowledgement by the relevant local Administration for Industry and Commerce of the notice issued by the Guangdong Higher Court in relation to the release of Golden Yuxing's 29.472% equity interest in JI (and hence the associated economic benefits of 41 million Ping An Shares) has been confirmed to be 25th April 2013. According to the Settlement Agreements, the remaining 3.594% and 3.594% equity interests in JI held by Golden Yuxing will continue to be frozen by the Guangdong Higher Court until upon the settlement of second tranche and third tranche of Settlement Fee respectively.

Further announcements will be issued by the Company regarding updates on, amongst other things, the payment of the various tranches of the Settlement Fee and developments of the settlement of the Legal Proceedings and the possible disposal of the Company's indirect economic interest in Ping An Shares through JI in settlement of the whole or part of the Settlement Fee.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### BUSINESS PROSPECT

In the first half of the year, the Group has promptly adjusted its business strategies to address the decline in its major business, the IPTV STB business. Based on the forecast customer purchase, the Group expects its product sales in the third quarter will grow more steadily than that in the second quarter of 2013.

The Group will continue to invest substantial resources in its research and development to keep on launching innovative products in order to meet the demands of different customers, so as to provide wonderful entertainment experiences to its end users not only in the IPTV sector, but also in the music and video sector. As the Group is still optimistic about its IPTV business, it will continue to increase its investment in this segment to offer its customers the products with advanced technologies and more price competitiveness, thereby bringing better investment returns to its shareholders in the future.

### SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme"), which was adopted pursuant to the ordinary resolution passed by the Shareholders on 18th May 2003 for the purpose of providing incentives to certain eligible participants and unless otherwise cancelled or amended, has expired on 17th May 2013. Under the Scheme, the Directors may grant share options to eligible employees, including executive Directors, or any persons or entities who have contributed or will contribute to the growth and development of the Group, to subscribe for shares in the Company.

## SHARE OPTION SCHEME (Continued)

The following table discloses details of the granted options held by executive Directors and the employees of the Company under the Scheme and movements during the period under review:

	Date of grant	Exercisable period	Exercise price HK\$	Number of share options				
				As at 1st January 2013	Exercised during the period	Granted during the period	Forfeited during the period	As at 30th June 2013
<b>Directors</b>								
- Mr. Wang An Zhong	26th December 2006	26th December 2006 – 17th May 2013	0.2975	800,000	(800,000)	-	-	-
- Ms. Shen Yan	26th December 2006	26th December 2006 – 17th May 2013	0.2975	960,000	(960,000)	-	-	-
<b>Continuous contract employees</b>	26th December 2006	26th December 2006 – 17th May 2013	0.2975	48,982,000	(42,851,000)	-	(6,131,000)	-
	4th September 2007	4th September 2007 – 17th May 2013	1.265	55,200,000	-	-	(55,200,000)	-
				<u>105,942,000</u>	<u>(44,611,000)</u>	<u>-</u>	<u>(61,331,000)</u>	<u>-</u>

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

As at 30th June 2013, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as required, pursuant to the minimum standards for dealing by Directors as referred to in rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Exchange were as follows:

### (1) Long positions in the shares of the Company

Name of Director	Nature of interests	Number of ordinary shares	Capacity	Percentage of the issued share capital of the Company
Mr. Zhu Wei Sha	Corporate (Note)	660,000,000	Interest of a controlled corporation	36.83%
	Personal	300,000	Beneficial owner	0.02%
Mr. Chen Fu Rong	Corporate (Note)	660,000,000	Interest of a controlled corporation	36.83%
	Personal	25,060,000	Beneficial owner	1.40%
Mr. Wang An Zhong	Personal	6,736,756	Beneficial owner	0.38%
Mr. Zhong Peng Rong	Personal	1,600,000	Beneficial owner	0.09%
Mr. Wu Jia Jun	Personal	1,600,000	Beneficial owner	0.09%
Ms. Shen Yan	Personal	960,000	Beneficial owner	0.05%

Note: Messrs. Zhu Wei Sha and Chen Fu Rong held these shares through Super Dragon Co., Ltd. (“Super Dragon”), a company in which Messrs. Zhu Wei Sha and Chen Fu Rong held 63.6% and 36.4% of the entire issued share capital respectively. Both Mr. Zhu Wei Sha and Mr. Chen Fu Rong are directors of Super Dragon.

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

### (2) Long positions in the underlying shares of the Company

Pursuant to the share option scheme approved by the Shareholders on 18th May 2003, Directors were granted share options to subscribe for shares of the Company, details of which as at 30th June 2013 were as follows:

Name of Director	Date of grant	Exercise price per share HK\$	Exercisable period	Number of share options				
				As at 1st January 2013	Exercised during the period	Granted during the period	Forfeited during the period	As at 30th June 2013
Mr. Wang An Zhong	26th December 2006	0.2975	26th December 2006 – 17th May 2013	800,000	(800,000)	-	-	-
Ms. Shen Yan	26th December 2006	0.2975	26th December 2006 – 17th May 2013	960,000	(960,000)	-	-	-
				<u>1,760,000</u>	<u>(1,760,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>

Save as disclosed above, none of the Directors or chief executive of the Company had, as at 30th June 2013, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as required to be notified to the Company and the Exchange pursuant to the minimum standards for dealing by Directors as referred to in rule 5.46 to the GEM Listing Rules.

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far as is known to any Director or chief executive of the Company, as at 30th June 2013, the following were the substantial shareholders (other than Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

### Long positions in the shares of the Company

Name of shareholders	Nature of interests	Number of ordinary shares	Capacity	Percentage of the issued share capital of the Company
Super Dragon <i>(Note)</i>	Corporate	660,000,000	Beneficial owner	36.83%
Gold Swiss Holdings Limited	Corporate	100,000,000	Beneficial owner	5.58%

*Note:* Super Dragon is beneficially owned by Mr. Zhu Wei Sha, as to 63.6%, and Mr. Chen Fu Rong, as to 36.4% respectively. Both Mr. Zhu Wei Sha and Mr. Chen Fu Rong are directors of Super Dragon.

Save as disclosed above, as at 30th June 2013, the Company had not been notified by any person (other than Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed for the six months ended 30th June 2013.

## COMPETING INTERESTS

None of the Directors or the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had an interest in a business which competed or might compete with the business of the Group or had any other conflict of interest with the Group during the six months ended 30th June 2013.

## 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 continued growth of the Group and for safeguarding and maximizing Shareholders' interests.

The Group has adopted a set of Code on Corporate Governance ("Company Code") which sets out the corporate standards and practices used by the Group to direct and manage its business affairs. It is prepared by making reference to the principles, code provisions and recommended best practices set out in the Corporate Governance Code ("GEM Code") contained in Appendix 15 of the GEM Listing Rules. The Board will continue to monitor and revise the Company Code and assess the effectiveness of corporate governance practices in tandem with changes in the environment and requirements under the GEM Code, to ensure the Company Code is in line with the expectations and interests of the Shareholders and comply with the GEM Code and the GEM Listing Rules.

Subject to the deviations as disclosed hereof, the Company has complied with all the provisions of the GEM Code for the six months ended 30th June 2013 and up to the date hereof:

## **CORPORATE GOVERNANCE** *(Continued)*

Under provision A.2.1 of the GEM Code, the role of chairman and chief executive officer should be separated and should not be performed by the same individual. The responsibilities between the chairman and the chief executive officer should be clearly established and set out in writing. Mr. Zhu Wei Sha is the chairman of the Board and the chief executive officer of the Group. As such, such dual role constitutes a deviation from Code Provisions A.2.1. However, the Board is of the view that: (i) the Company has sufficient internal controls to provide checks and balances on the functions of the chairman and chief executive officer; (ii) Mr. Zhu Wei Sha as the chairman of the Board and the chief executive officer of the Group is responsible for ensuring that all Directors act in the best interests of the Shareholders. He is fully accountable to the Shareholders and contributes to the Board and the Group on all top level and strategic decisions; and (iii) this structure will not impair the balance of power and authority between the Board and the management of the Company.

## **AUDIT COMMITTEE**

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

The primary duties of the audit committee are to review and supervise the financial reporting process of the Group. It also reviews the effectiveness of both the external audit and internal controls and risk evaluation system. The audit committee comprises three independent non-executive Directors, namely Mr. Wu Jia Jun, Mr. Zhong Peng Rong and Ms. Shen Yan (chairman of the audit committee).

The Group's unaudited results for the Period have been reviewed by the audit committee, which was of the opinion that the preparation of such results has complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the six months ended 30th June 2013.



## SECURITIES TRANSACTIONS BY THE DIRECTORS

Although the Company has not adopted any code of conduct regarding the Directors' securities transactions other than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules, it has made specific enquiry with all Directors and all Directors have confirmed that they have complied with all the required standard of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules during the six months ended 30th June 2013.

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

Hong Kong, 12th August 2013

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