



**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

Third Quarterly 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 of the Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*This 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 this 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 any statement in this report misleading.*

## HIGHLIGHTS FOR THE NINE-MONTH PERIOD

- For the nine months and three months ended 30th September 2013, turnover of the Group was approximately HK\$460.6 million and HK\$191.2 million respectively, representing a decrease of 25.2% and increase of 11.9% respectively in comparison to the corresponding periods in 2012.
- For the nine months and three months ended 30th September 2013, gross profit of the Group decreased by 44.9% and increased by 67.6% respectively to approximately HK\$41.4 million and HK\$29.4 million as compared to the corresponding periods of last year.
- Loss attributable to owners of the parent for the nine months ended 30th September 2013 amounted to approximately HK\$0.8 million, and profit attributable to owners of the parent for the three months ended 30th September 2013 amounted to approximately HK\$25.0 million, while the Group recorded profit attributable to owners of the parent of approximately HK\$27.1 million and HK\$13.8 million respectively for the corresponding periods of last year.
- Basic loss per share for the nine months ended 30th September 2013 was HK0.04 cent, and basic earning per share for the three months ended 30th September 2013 was HK1.39 cents.
- The Board does not recommend the payment of any interim dividend for the three months ended 30th September 2013. During the nine months ended 30th September 2013, an interim dividend of HK\$0.05 per share totaling approximately HK\$89.6 million was declared and distributed (for the nine months and three months ended 30th September 2013: HK\$Nil).

## NINE-MONTH RESULTS (UNAUDITED)

The board of Directors of the Company (the "Board") is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the nine months and three months ended 30th September 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 nine months and three months ended 30th September 2013

	Notes	For the nine months ended 30th September		For the three months ended 30th September	
		2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Turnover	2	460,569	616,083	191,198	170,820
Cost of sales		<u>(419,172)</u>	<u>(540,968)</u>	<u>(161,804)</u>	<u>(153,286)</u>
Gross profit		41,397	75,115	29,394	17,534
Other revenue and net income		20,436	7,485	16,283	1,370
Distribution and selling expenses		(11,405)	(13,697)	(3,620)	(3,035)
General and administrative expenses		(57,495)	(53,889)	(19,052)	(15,692)
Other operating expenses		(3,103)	(2,031)	(477)	(396)
Fair value gain on investment properties		<u>2,910</u>	<u>5,330</u>	<u>-</u>	<u>-</u>
(Loss)/Profit from operations		(7,260)	18,313	22,528	(219)
Finance costs		(25,271)	(5,694)	(8,664)	(1,760)
Share of results of a jointly controlled entity		<u>25,929</u>	<u>15,906</u>	<u>12,730</u>	<u>15,906</u>
(Loss)/Profit before taxation		(6,602)	28,525	26,594	13,927
Taxation	3	<u>2,754</u>	<u>(1,408)</u>	<u>11</u>	<u>(111)</u>
(Loss)/Profit for the period		<u><u>(3,848)</u></u>	<u><u>27,117</u></u>	<u><u>26,605</u></u>	<u><u>13,816</u></u>
<b>(Loss)/Profit attributable to:</b>					
Owners of the parent		(794)	27,117	24,972	13,816
Non-controlling interests		<u>(3,054)</u>	<u>-</u>	<u>1,633</u>	<u>-</u>
		<u><u>(3,848)</u></u>	<u><u>27,117</u></u>	<u><u>26,605</u></u>	<u><u>13,816</u></u>
(Loss)/Earnings per share	5				
- Basic		<u><u>(0.04) cent</u></u>	<u><u>1.56 cents</u></u>	<u><u>1.39 cents</u></u>	<u><u>0.79 cent</u></u>
- Diluted		<u><u>(0.04) cent</u></u>	<u><u>1.53 cents</u></u>	<u><u>1.39 cents</u></u>	<u><u>0.78 cent</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the nine months and three months ended 30th September 2013

	For the nine months ended 30th September		For the three months ended 30th September	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss)/Profit for the period	<b>(3,848)</b>	27,117	<b>26,605</b>	13,816
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	–	–
Share of other comprehensive (loss)/income arising from interest in a jointly controlled entity (net of tax)	<b>(436,927)</b>	(273,519)	<b>63,236</b>	(307,927)
Exchange differences arising on translation of PRC subsidiaries	<b>52,543</b>	(21,677)	<b>10,824</b>	(9,338)
Other comprehensive (loss)/income for the period	<b>(384,384)</b>	394,865	<b>74,060</b>	(317,265)
Total comprehensive (loss)/income for the period	<b>(388,232)</b>	421,982	<b>100,665</b>	(303,449)
<b>Total comprehensive (loss)/income attributable to:</b>				
Owners of the parent	<b>(385,178)</b>	421,982	<b>99,032</b>	(303,449)
Non-controlling interests	<b>(3,054)</b>	–	<b>1,633</b>	–
	<b>(388,232)</b>	421,982	<b>100,665</b>	(303,449)

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

For the nine months ended 30th September 2013

	Attributable to owners of the parent										
	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)/ Retained profits HK\$'000	Sub Total HK\$'000	Non-controlling interests HK\$'000	Total equity 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>	-	-	-	-	-	-	-	(794)	(794)	(3,054)	(3,848)
<b>Other comprehensive loss:</b>											
Share of other comprehensive loss arising from interest in a jointly controlled entity (net of tax)	-	-	-	-	-	(436,927)	-	-	(436,927)	-	(436,927)
Exchange differences arising on translation of PRC subsidiaries	-	-	-	-	-	-	52,543	-	52,543	-	52,543
<b>Total other comprehensive loss</b>	-	-	-	-	-	(436,927)	52,543	-	(384,384)	-	(384,384)
<b>Total comprehensive loss for the period</b>	-	-	-	-	-	(436,927)	52,543	(794)	(385,178)	(3,054)	(388,232)
<b>Transactions with owners:</b>											
Issue of shares under share option scheme	1,115	15,572	-	-	(3,415)	-	-	-	13,272	-	13,272
Share options expired	-	-	-	-	(25,606)	-	-	25,606	-	-	-
Interim dividend (note 4)	-	-	-	-	-	-	-	(89,606)	(89,606)	-	(89,606)
<b>Total transactions with owners</b>	1,115	15,572	-	-	(29,021)	-	-	(64,000)	(76,334)	-	(76,334)
<b>As at 30th September 2013</b>	<b>44,803</b>	<b>57,265</b>	<b>20,435</b>	<b>234,621</b>	<b>-</b>	<b>1,245,895</b>	<b>739,607</b>	<b>(458,622)</b>	<b>1,884,004</b>	<b>9,387</b>	<b>1,893,391</b>
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>Profit for the period</b>	-	-	-	-	-	-	-	27,117	27,117	-	27,117
<b>Other comprehensive income:</b>											
Change in fair value of available-for-sale financial assets	-	-	-	-	-	690,061	-	-	690,061	-	690,061
Share of other comprehensive loss arising from interest in a jointly controlled entity (net of tax)	-	-	-	-	-	(273,519)	-	-	(273,519)	-	(273,519)
Exchange differences arising on translation of PRC subsidiaries	-	-	-	-	-	-	(21,677)	-	(21,677)	-	(21,677)
<b>Total other comprehensive income</b>	-	-	-	-	-	416,542	(21,677)	-	394,865	-	394,865
<b>Total comprehensive income for the period</b>	-	-	-	-	-	416,542	(21,677)	27,117	421,982	-	421,982
<b>Transactions with owners:</b>											
Issue of shares under share option scheme	293	3,192	-	-	-	-	-	-	3,485	-	3,485
<b>Total transactions with owners</b>	293	3,192	-	-	-	-	-	-	3,485	-	3,485
<b>As at 30th September 2012</b>	<b>43,671</b>	<b>40,195</b>	<b>20,190</b>	<b>234,621</b>	<b>30,336</b>	<b>1,520,030</b>	<b>664,610</b>	<b>133,488</b>	<b>2,687,141</b>	<b>-</b>	<b>2,687,141</b>

Notes:

## 1 Basis of preparation

The Group's unaudited condensed consolidated financial statements for the nine months ended 30th September 2013 have been prepared in accordance with the Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants 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 unaudited condensed consolidated 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 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.

## 2 Turnover

Turnover, which is stated net of value added tax where applicable, is recognised when goods are delivered and the related risks and rewards of ownership have passed.

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

## 3 Taxation

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

	For the nine months ended 30th September		For the three months ended 30th September	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
PRC enterprise income tax	<u>(2,754)</u>	<u>1,408</u>	<u>(11)</u>	<u>111</u>

### 3 Taxation (Continued)

The income tax provision in respect of operations in the People's Republic of China (other than Hong Kong and Macau) (the "PRC") is calculated at the applicable tax rate of 25% on the estimated assessable profits for the nine months and three months ended 30th September 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 nine months and three months ended 30th September 2013.

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

### 4 Dividends

	For the nine months ended 30th September		For the three months ended 30th September	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interim dividends for 2013 declared on 10th May 2013 of HK\$0.05 (2012: HK\$Nil) per share	<b>89,606</b>	–	–	–

### 5 (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 nine months ended 30th September		For the three months ended 30th September	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss)/Profit attributable to owners of the parent	<b>(794)</b>	27,117	<b>24,972</b>	13,816

5 **(Loss)/Earnings per share** (Continued)

	For the nine months ended 30th September		For the three months ended 30th September	
	2013 '000	2012 '000	2013 '000	2012 '000
Issued ordinary shares at 1st January	1,747,506	1,735,120	–	–
Issued ordinary shares at 1st July	–	–	1,792,117	1,744,562
Effect of share options exercised	<u>27,990</u>	<u>5,482</u>	<u>–</u>	<u>1,190</u>
Weighted average number of ordinary shares for basic (loss)/earnings per share	<b>1,775,496</b>	1,740,602	<b>1,792,117</b>	1,745,752
Effect of dilutive potential ordinary shares:				
Exercise of share options	<u>N/A</u>	<u>32,631</u>	<u>N/A</u>	<u>30,487</u>
Weighted average number of ordinary shares for diluted (loss)/earnings per share	<u><b>1,775,496</b></u>	<u>1,773,233</u>	<u><b>1,792,117</b></u>	<u>1,776,239</u>
(Loss)/Earnings per share:				
– Basic	<u><b>(0.04) cent</b></u>	<u>1.56 cents</u>	<u><b>1.39 cents</b></u>	<u>0.79 cent</u>
– Diluted *	<u><b>(0.04) cent</b></u>	<u>1.53 cents</u>	<u><b>1.39 cents</b></u>	<u>0.78 cent</u>

- \* Diluted loss per share is the same as the basic loss per share for the nine months ended 30th September 2013 because the effect of potential ordinary share is anti-dilutive. As there were no dilutive potential ordinary shares, therefore the diluted earnings per share is the same as the basic earnings per share for the three months ended 30th September 2013.

The calculation of diluted earnings per share for the nine months and three months ended 30th September 2012 is based on the profit attributable to owners of the parent of approximately HK\$27,117,000 and HK\$13,816,000 respectively, and the weighted average number of ordinary shares issued during the periods of approximately 1,740,602,000 shares and 1,745,752,000 shares 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.

## RESERVES

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

## DIVIDENDS

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

## FINANCIAL AND BUSINESS REVIEW

During the period under review, the Group's overall turnover and gross profit amounted to approximately HK\$460.6 million and HK\$41.4 million respectively for the Period, representing a decrease of 25.2% and 44.9% 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 some overseas customers, more intense competition, as well as seasonal effects in the first half of 2013, which together have contributed to a softened demand for the Group's products for the Period.

However, in the third quarter of 2013, due to a substantial increase of purchase orders from a Hong Kong and a new overseas customer, the Group's overall turnover and gross profit increased by 11.9% and 67.6% to approximately HK\$191.2 million and HK\$29.4 million respectively for the three months ended 30th September 2013 as compared with the same period of last year.

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 set-top boxes ("STB") into areas including Guangdong Province, Hubei Province, Sichuan Province, Shanxi Province, Liaoning Province, Anhui Province, Shanghai and Chongqing Municipalities, etc. However, due to the weakened order procurement sentiment of this 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 STB. Therefore, the turnover of the Group in the PRC market for the Period decreased by 24.8% to approximately HK\$298.7 million as compared with the same period of last year.

## FINANCIAL AND BUSINESS REVIEW *(Continued)*

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. 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 by 58.7% to approximately HK\$38.8 million as compared with the same period of last year. Consequently, although the turnover to a new overseas customer recorded approximately HK\$30.0 million for the Period, overall overseas turnover decreased significantly by 49.8% to approximately HK\$90.6 million for the Period as compared with the same period of last year.

As one of the leading suppliers of Internet Protocol Television (“IPTV”) STB in Hong Kong, the Group maintained great cooperation with a Hong Kong telecommunication operator in its marketing activities. The launch of high digital STB in the market received good responses from users during the period under review, resulting in the Group’s turnover in Hong Kong market increase significantly by 86.2% to approximately HK\$71.3 million for the Period as compared with the same period of last year.

With the significant decrease of the Group’s overall turnover, the Group’s selling expenses for the Period also decreased by 16.7% to approximately HK\$11.4 million as compared with the same period of last year. At the same time, the Group’s general and administrative expenses for the Period increased by 6.7% to approximately HK\$57.5 million as compared with the corresponding period in 2012. Moreover, the amortised interest expenses for the Period 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 29 to the financial statement in the annual report 2012 of the Company), which caused the finance costs of the Group to increase to approximately HK\$25.3 million for the Period (for the nine months ended 30th September 2012: approximately HK\$5.7 million).

## FINANCIAL AND BUSINESS REVIEW *(Continued)*

Meanwhile, the increase in the Group's other revenue and net income to approximately HK\$20.4 million for the Period (for the nine months ended 30th September 2012: approximately HK\$7.5 million) was mainly attributable to the following reasons: (1) a one-off referral fee income of approximately HK\$5.8 million (for the nine months ended 30th September 2012: HK\$Nil); (2) the fixed deposit interest income relating to the dividends of Gongbujiangda Jiangnan Industrial Development Company Limited ("JI") which were unfrozen and released by way of court order in the PRC as described below, of approximately HK\$3.1 million for the Period (for the nine months ended 30th September 2012: HK\$Nil); (3) the Group recorded realised and unrealised gains on certain financial assets totaling approximately HK\$4.7 million for the Period (for the nine months ended 30th September 2012: approximately HK\$0.5 million); and (4) the rental income from leasing out properties of the Group of approximately HK\$4.5 million for the Period (for the nine months ended 30th September 2012: approximately HK\$4.5 million). On the other hand, other operating expenses of the Group increased to approximately HK\$3.1 million for the Period (for the nine months ended 30th September 2012: approximately HK\$2.0 million). The main reason of this increase was that the Group recorded realised and unrealised losses on certain financial assets totaling approximately HK\$1.2 million for the Period (for the nine months ended 30th September 2012: approximately HK\$0.3 million).

As a result of the foregoing, the Group recorded a loss attributable to owners of the parent of approximately HK\$0.8 million for the Period, while the Group recorded a profit attributable to owners of the parent of approximately HK\$27.1 million in the same period of last year. The Group recorded a profit attributable to owners of the parent of approximately HK\$25.0 million for the three months ended 30th September 2013 (for the three months ended 30th September 2012: approximately HK\$13.8 million). This profit was mainly attributable to the increase in overall turnover and gross profit, other revenue and net income of the Group in the third quarter of 2013 and the share of results of a jointly controlled entity of approximately HK\$12.7 million for the three months ended 30th September 2013 (for the three months ended 30th September 2012: approximately HK\$15.9 million).

## FINANCIAL AND BUSINESS REVIEW *(Continued)*

References are made to the announcements of the Company dated 30th January 2013 and 4th February 2013 and the circular of the Company dated 28th February 2013 (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 (the "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 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 (the "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 (the "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.

## FINANCIAL AND 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 A shares of Ping An Insurance (Group) Company of China, Ltd. ("Ping An A 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 A 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.

On 27th September 2013, Golden Yuxing and JI entered into a loan agreement relating to a one year term loan in the principal amount of RMB156 million provided by JI (the "Loan") for settling the first tranche of RMB150 million of Settlement Fee and related expense. Golden Yuxing has agreed for JI to enter into a fundraising transaction with an independent financier to raise funds for the Loan on the security of 8.8 million Ping An A Shares (including any dividends and other interests arising in relation to the relevant shares) in which Golden Yuxing has an indirect interest through JI which are not subject to the freezing order imposed by Guangdong Higher Court. On 23rd October 2013, Golden Yuxing has used the Loan to fully settle the first tranche of the Settlement Fee to JLB Group and its designated entities.

## FINANCIAL AND BUSINESS REVIEW (Continued)

On 11th October 2013, Yuxing Group (International) Limited (“Yuxing International”), Sheng Bang Qiang Dian Electronics (Zhongshan) Company Limited (“ZSSB”) and Golden Yuxing, all wholly owned subsidiaries of the Company, entered into a conditional agreement (the “Agreement”) with the purchaser, 華浩信聯（北京）投資有限公司 (Hua Hao Xin Lian (Beijing) Investment Co., Ltd.\*) (the “Purchaser”), and JI pursuant to which the Purchaser has agreed to acquire and each of Yuxing International and ZSSB has agreed to sell 99% and 1% of the entire equity interests in Golden Yuxing, at the disposal consideration of approximately RMB1,383.8 million and RMB30.0 million (subject to deducting the other remaining debts) respectively (the “Proposed Disposal”). At the same time, it was agreed that Yuxing International or its designated entities shall repurchase no more than 41 million Ping An A Shares but no less than 27 million Ping An A Shares from JI during 90 days after the final payment date of the Agreement as extended by the number of trading days for which the trading of the Ping An A Shares is suspended. A special general meeting of the Company (the “SGM”) will be held on 15th November 2013 to approve the Agreement.

Further details regarding the Loan and the Agreement are set out in the Company’s announcements dated 27th September 2013, 11th October 2013, 23rd October 2013 and 28th October 2013 and the Company’s circular dated 31st October 2013.

## BUSINESS PROSPECT

During the period under review, the Group has continually increased its investment on the research and development and has actively explored new markets for its major business, the IPTV STB business. However, based on current domestic and international economic conditions, the Group expects its product sales of the IPTV STB business in the near future may still be affected due to factors such as upgrading product solution and more intense competition, as well as seasonal effects.

The IPTV market has entered into a period of steady growth around the world, particularly in the PRC market, where the market growth is slowing down in 2013. However, in the long term, the Group is still optimistic about IPTV business and will continue to increase its investment in this segment to offer its customers the products with advanced technologies and more price competitiveness and also has promptly adjusted its business strategies, thereby bringing better investment returns to its shareholders in the future. Further, as disclosed in the paragraph headed “Financial and Business Review” regarding the Proposed Disposal, once the Proposed Disposal has been approved in the SGM, the proceeds to be generated from the Proposed Disposal will provide the Group with the necessary capital in furtherance of the business development of the Group. The Group predicts that its current business will be benefit from the completion of the Proposed Disposal.

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

As at 30th September 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 ordinary shares of the Company

Name of Director	Nature of interests	Number of ordinary shares	Capacity	Percentage of the total 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. Zhu Jiang	Personal	7,926,756	Beneficial owner	0.44%
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 of the Company on 18th May 2003, the Directors were granted share options to subscribe for shares in the Company in their capacity as beneficial owners, the details of which as at 30th September 2013 were as follows:

Name of Director	Date of grant	Exercise price per share HK\$	Exercisable period	Number of share options				As at 30th September 2013
				As at 1st January 2013	Exercised during the period	Granted during the period	Forfeited during the period	
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 September 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 September 2013, the following is a list of 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 ordinary shares of the Company

Name of shareholders	Nature of interests	Number of ordinary shares	Capacity	Percentage of the total 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 September 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 contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the nine months ended 30th September 2013.

## COMPETING INTERESTS

None of the Directors, the management, the shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) had any 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 nine months ended 30th September 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 (the "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 (the "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 circumstances 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.

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

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

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. The audit committee comprises three independent non-executive Directors, namely Mr. Wu Jia Jun, Mr. Zhong Peng Rong and Ms. Shen Yan (chairman of audit committee).

The Group's unaudited consolidated results for the nine months ended 30th September 2013 have been reviewed by the audit committee pursuant to the relevant provisions contained in the GEM Code and was of the opinion that the preparation of such statements complied with applicable accounting standards and that adequate disclosure had been made in respect thereof.

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

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

## **SECURITIES TRANSACTIONS BY THE DIRECTORS**

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

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

Hong Kong, 13th November 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.*