



YUXING INFOTECH INVESTMENT HOLDINGS LIMITED

裕興科技投資控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8005)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER 2013

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.

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

* For identification purposes only



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HIGHLIGHTS FOR THE YEAR ENDED 31ST DECEMBER 2013

- For the year ended 31st December 2013, turnover of the Group decreased by 21.2% to approximately HK\$623.1 million as compared with last year.
- For the year ended 31st December 2013, gross profit of the Group decreased by 30.7% to approximately HK\$64.6 million as compared with last year.
- Profit attributable to owners of the parent for the year ended 31st December 2013 amounted to approximately HK\$2,167.4 million, while the Group recorded a loss attributable to owners of the parent of approximately HK\$500.0 million for the year ended 31st December 2012.
- The Board recommends the payment of a final dividend of HK\$0.05 per share for the year ended 31st December 2013 (2012: HK\$Nil). During the year ended 31st December 2013, an interim dividend of HK\$0.05 per share totaling approximately HK\$89.6 million was declared and distributed (2012: HK\$Nil).

RESULTS

The board of Directors of the Company (the “Board”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31st December 2013, together with the comparative figures for the previous year, prepared in accordance with generally accepted accounting principles in Hong Kong, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2013

| | <i>Notes</i> | 2013 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| Turnover | 3 | 623,136 | 790,983 |
| Cost of sales | | (558,563) | (697,869) |
| Gross profit | | 64,573 | 93,114 |
| Other revenue and net income | 4 | 29,855 | 9,491 |
| Distribution and selling expenses | | (16,640) | (18,457) |
| General and administrative expenses | | (151,415) | (86,444) |
| Other operating expenses | | (5,489) | (2,328) |
| Fair value gains on investment properties | | 3,120 | 10,180 |
| Settlement fee in respect of court settlement | 13 | – | (518,436) |
| Gain on disposal of a subsidiary | 16 | 2,425,977 | – |
| Profit/(Loss) from operations | 5 | 2,349,981 | (512,880) |
| Finance costs | 6 | (36,693) | (7,439) |
| Share of results of a joint venture | 10 | 25,952 | 23,698 |
| Profit/(Loss) before taxation | | 2,339,240 | (496,621) |
| Taxation | 7 | (174,276) | (3,543) |
| Profit/(Loss) for the year | | 2,164,964 | (500,164) |
| Profit/(Loss) attributable to: | | | |
| Owners of the parent | | 2,167,412 | (499,954) |
| Non-controlling interests | | (2,448) | (210) |
| | | 2,164,964 | (500,164) |
| | | <i>HK\$</i> | <i>HK\$</i> |
| Earnings/(Loss) per share | 9 | | |
| – Basic | | 1.22 | (0.29) |
| – Diluted | | 1.21 | (0.29) |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2013

| | 2013 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Profit/(Loss) for the year | 2,164,964 | (500,164) |
| Other comprehensive (loss)/income | | |
| Items that are reclassified or 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 arising from interest in a joint venture (net of tax) (<i>note 10</i>) | (45,993) | (110,727) |
| Exchange differences arising on translation of PRC subsidiaries | 71,163 | 777 |
| Release of translation reserves upon disposal of a subsidiary | (678,863) | – |
| Release of investment revaluation reserves upon disposal of a subsidiary | (1,636,829) | – |
| Other comprehensive (loss)/income for the year | (2,290,522) | 580,111 |
| Total comprehensive (loss)/income for the year | (125,558) | 79,947 |
| Total comprehensive (loss)/income attributable to: | | |
| Owners of the parent | (123,110) | 80,157 |
| Non-controlling interests | (2,448) | (210) |
| | (125,558) | 79,947 |

CONSOLIDATED BALANCE SHEET*As at 31st December 2013*

| | <i>Notes</i> | As at 31st December 2013 HK\$'000 | As at 31st December 2012 HK\$'000 |
|--|--------------|--|--|
| NON-CURRENT ASSETS | | | |
| Investment properties | | 49,600 | 46,480 |
| Property, plant and equipment | | 92,580 | 95,489 |
| Prepaid lease payments | | 13,150 | 13,131 |
| Financial assets at fair value through profit or loss | | 323 | – |
| Interest in a joint venture | <i>10</i> | – | 2,535,249 |
| | | 155,653 | 2,690,349 |
| CURRENT ASSETS | | | |
| Inventories | | 79,769 | 83,012 |
| Trade and other receivables | <i>11</i> | 216,240 | 182,790 |
| Consideration receivable for disposal of a subsidiary | <i>16</i> | 1,782,994 | – |
| Prepaid lease payments | | 394 | 382 |
| Dividend receivable | | – | 97,484 |
| Financial assets at fair value through profit or loss | | 363,639 | 55,361 |
| Income tax recoverable | | 644 | – |
| Pledged bank deposits | | 1,811 | 24,318 |
| Cash and bank balances | | 121,364 | 62,706 |
| | | 2,566,855 | 506,053 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | <i>12</i> | 280,279 | 215,717 |
| Dividend payables | | 10 | – |
| Bank loans | | 84,075 | 100,185 |
| Settlement fee payable | <i>13</i> | – | 184,980 |
| Financial liabilities at fair value through profit or loss | | 25,001 | – |
| Income tax payable | | 177,078 | 2,154 |
| | | 566,443 | 503,036 |
| NET CURRENT ASSETS | | 2,000,412 | 3,017 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 2,156,065 | 2,693,366 |
| NON-CURRENT LIABILITIES | | | |
| Financial liabilities at fair value through profit or loss | | – | 98 |
| Settlement fee payable | <i>13</i> | – | 335,311 |
| | | – | 335,409 |
| NET ASSETS | | 2,156,065 | 2,357,957 |
| CAPITAL AND RESERVES | | | |
| Share capital | <i>14</i> | 44,803 | 43,688 |
| Reserves | <i>15</i> | 2,100,156 | 2,301,828 |
| Equity attributable to owners of the parent | | 2,144,959 | 2,345,516 |
| Non-controlling interests | | 11,106 | 12,441 |
| TOTAL EQUITY | | 2,156,065 | 2,357,957 |

Notes:

1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also complied with the applicable disclosure provisions of the Rules Governing The Listing of Securities on the GEM.

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2012 consolidated financial statements. The adoption of the new/revised HKFRSs which are relevant to the Group and effective from the current year had no significant effects on the results and financial position of the Group and the Company for the current and prior years, except that certain presentation and disclosures of the financial statements items have been revised.

2. FUTURE CHANGES IN HKFRSS

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

Adoption of new/revised HKFRSs

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

The amendments to HKAS 1 require entities to group together items within other comprehensive income that will not be reclassified to profit or loss separately from items that may be reclassified subsequently to profit or loss if certain conditions are met. Other than the presentation changes, the application of the amendments does not have an impact on the amounts recognised.

Furthermore, these amendments change the title for the “income statement” and the “statement of comprehensive income” to the “statement of profit or loss” and the “statement of profit or loss and other comprehensive income”. However, HKAS 1 retains the option to use titles for the statement other than those used in HKAS 1. The Group continues to use the “income statement” and the “statement of comprehensive income” instead of the “statement of profit or loss” and the “statement of profit or loss and other comprehensive income”.

HKFRS 10: Consolidated financial statements

HKFRS 10, which replaces the requirements in HKAS 27 relating to the preparation of consolidated financial statements and HKSIC-12, introduces a single control model to determine whether an investee should be consolidated. It changes the definition of control 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.

In accordance with the transitional provisions of HKFRS 10, the Group reassessed the control conclusion for its investees at the date of initial application. The exercise does not change any of the control conclusions reached by the Group in respect of its involvement with other entities at that date.

HKFRS 11: Joint arrangements

HKFRS 11, which replaces HKAS 31 and HKSIC-13, divides joint arrangements into joint operations and joint ventures. Such classification is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, legal form, contractual terms and other facts and circumstances.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement while a joint venture is a joint arrangement whereby those parties have rights to the net assets of the arrangement. Joint operations are recognised on a line-by-line basis to the extent of the joint operator's interest while joint ventures are accounted for using the equity method. Proportionate consolidation is no longer allowed.

As a result of the adoption of HKFRS 11, the Group has re-evaluated its involvement in its joint arrangements and has reclassified the investment from jointly controlled entity to joint venture. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any material impact on the amounts recognised.

HKFRS 12: Disclosure of interests in other entities

HKFRS 12 sets out in a single standard all the disclosure requirements relevant to interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. In general, the disclosures required by HKFRS 12 are more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, those disclosures are set out in notes 20 and 21 to the financial statements included in the annual report 2013.

HKFRS 13: Fair value measurement

This new standard improves consistency by providing a single source of guidance for fair value measurement and disclosures about fair value measurement when such measurement is required or permitted by other HKFRSs. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Apart from the additional disclosures about fair value measurements on investment properties as detailed in note 6 to the financial statements included in the annual report 2013, the application of the new standard does not have any material impact on the amounts recognised.

3. 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 comprises trading of securities and interest in a joint venture 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 leasing out of properties.

For the purpose of assessing the performance of the operating segments and allocating resources between segments, the Executive Directors assess segment profit or loss before income tax without allocation of finance costs, settlement fee in respect of court settlement, Directors' emoluments, head office staff salaries, legal and professional fees and other administrative costs and the basis of preparing such information is consistent with that of the consolidated financial statements.

All assets are allocated to reportable segments other than head office bank balances and other unallocated financial and corporate assets which are managed on a group basis. All liabilities are allocated to reportable segments other than settlement fee payable and unallocated head office and corporate liabilities which are managed on a group basis.

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

Business segments

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, changes in fair value of investment properties, share of results of a joint venture, gain on disposal of a subsidiary, segment results and segment assets and liabilities by business segments is as follows:

For the year ended 31st December 2013

| | Information home appliances HK\$'000 | Investing HK\$'000 | Trading HK\$'000 | Other operations HK\$'000 | Elimination HK\$'000 | Consolidated HK\$'000 |
|--|---|-----------------------|---------------------|---------------------------------|-------------------------|-------------------------------------|
| TURNOVER | | | | | | |
| External sales | 622,664 | - | 472 | - | - | 623,136 |
| Inter-segment sales | - | - | 7,321 | - | (7,321) | - |
| OTHER REVENUE AND NET INCOME | 5,674 | 9,697 | 83 | 8,608 | (2,766) | 21,296 |
| FAIR VALUE GAINS ON INVESTMENT PROPERTIES | - | - | - | 3,120 | - | 3,120 |
| SHARE OF RESULTS OF A JOINT VENTURE | - | 25,952 | - | - | - | 25,952 |
| GAIN ON DISPOSAL OF A SUBSIDIARY | - | 2,425,977 | - | - | - | 2,425,977 |
| Total | <u>628,338</u> | <u>2,461,626</u> | <u>7,876</u> | <u>11,728</u> | <u>(10,087)</u> | <u>3,099,481</u> |
| RESULTS | | | | | | |
| Segment results | <u>(6,180)</u> | <u>2,457,789</u> | <u>(538)</u> | <u>6,754</u> | <u>-</u> | 2,457,825 |
| Unallocated corporate income | | | | | | 7,269 |
| Interest income from bank deposits | | | | | | 1,290 |
| Other unallocated corporate expenses | | | | | | <u>(90,451)</u> |
| Finance costs | | | | | | <u>2,375,933</u> <u>(36,693)</u> |
| Profit before taxation | | | | | | 2,339,240 |
| Taxation | | | | | | <u>(174,276)</u> |
| Profit for the year | | | | | | <u>2,164,964</u> |

As at 31st December 2013

| | Information home appliances HK\$'000 | Investing HK\$'000 | Trading HK\$'000 | Other operations HK\$'000 | Unallocated HK\$'000 | Consolidated HK\$'000 |
|---|---|-----------------------|---------------------|---------------------------------|-------------------------|--------------------------|
| ASSETS | | | | | | |
| Consideration receivable for disposal of a subsidiary | - | 1,782,994 | - | - | - | 1,782,994 |
| Other assets | 371,725 | 405,363 | 6,925 | 66,477 | - | 850,490 |
| Segment assets | 371,725 | 2,188,357 | 6,925 | 66,477 | - | 2,633,484 |
| Unallocated corporate assets | | | | | 89,024 | 89,024 |
| Consolidated total assets | | | | | | <u>2,722,508</u> |
| LIABILITIES | | | | | | |
| Segment liabilities | 217,993 | 261,846 | 2,613 | 10,995 | - | 493,447 |
| Unallocated corporate liabilities | | | | | 72,996 | 72,996 |
| Consolidated total liabilities | | | | | | <u>566,443</u> |
| OTHER INFORMATION | | | | | | |
| Capital additions | 3,256 | - | - | - | 887 | 4,143 |
| Depreciation and amortisation | 7,800 | - | 597 | 589 | 306 | 9,292 |
| Write-down of inventories | 6,627 | - | 8 | - | - | 6,635 |
| Reversal of write-down of inventories | (142) | - | - | - | - | (142) |
| Reversal of impairment on other receivables | - | - | (83) | - | (316) | (399) |
| Write-off of other receivables | - | - | - | - | 525 | 525 |

For the year ended 31st December 2012

| | Information home appliances HK\$'000 | Investing HK\$'000 | Trading HK\$'000 | Other operations HK\$'000 | Elimination HK\$'000 | Consolidated HK\$'000 |
|--|---|-----------------------|---------------------|---------------------------------|-------------------------|------------------------------------|
| TURNOVER | | | | | | |
| External sales | 790,097 | – | 886 | – | – | 790,983 |
| Inter-segment sales | – | – | 10,715 | – | (10,715) | – |
| OTHER REVENUE AND NET INCOME | 1,131 | 1,054 | 150 | 8,825 | (2,787) | 8,373 |
| FAIR VALUE GAINS ON INVESTMENT PROPERTIES | – | – | – | 10,180 | – | 10,180 |
| SHARE OF RESULTS OF A JOINT VENTURE | – | 23,698 | – | – | – | 23,698 |
| Total | <u>791,228</u> | <u>24,752</u> | <u>11,751</u> | <u>19,005</u> | <u>(13,502)</u> | <u>833,234</u> |
| RESULTS | | | | | | |
| Segment results | <u>19,053</u> | <u>24,275</u> | <u>(65)</u> | <u>13,493</u> | <u>–</u> | 56,756 |
| Unallocated corporate income | | | | | | 225 |
| Interest income from bank deposits | | | | | | 893 |
| Settlement fee in respect of court settlement | | | | | | (518,436) |
| Other unallocated corporate expenses | | | | | | <u>(28,620)</u> |
| Finance costs | | | | | | <u>(489,182)</u> <u>(7,439)</u> |
| Loss before taxation | | | | | | (496,621) |
| Taxation | | | | | | <u>(3,543)</u> |
| Loss for the year | | | | | | <u><u>(500,164)</u></u> |

As at 31st December 2012

| | Information home appliances HK\$'000 | Investing HK\$'000 | Trading HK\$'000 | Other operations HK\$'000 | Unallocated HK\$'000 | Consolidated HK\$'000 |
|---|---|-----------------------|---------------------|---------------------------------|-------------------------|--------------------------|
| ASSETS | | | | | | |
| Interest in a joint venture | – | 2,535,249 | – | – | – | 2,535,249 |
| Other assets | 426,820 | 144,942 | 7,484 | 64,149 | – | 643,395 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Segment assets | 426,820 | 2,680,191 | 7,484 | 64,149 | – | 3,178,644 |
| Unallocated corporate assets | | | | | 17,758 | 17,758 |
| | | | | | <hr/> | <hr/> |
| Consolidated total assets | | | | | | <u>3,196,402</u> |
| LIABILITIES | | | | | | |
| Segment liabilities | 258,325 | 21,596 | 2,900 | 11,555 | – | 294,376 |
| Settlement fee payable | – | – | – | – | 520,291 | 520,291 |
| Unallocated corporate liabilities | | | | | 23,778 | 23,778 |
| | | | | | <hr/> | <hr/> |
| Consolidated total liabilities | | | | | | <u>838,445</u> |
| OTHER INFORMATION | | | | | | |
| Capital additions | 6,401 | – | – | – | 31 | 6,432 |
| Depreciation and amortisation | 7,514 | – | 578 | 563 | 170 | 8,825 |
| Write-down of inventories | 8,014 | – | – | – | – | 8,014 |
| Bad debts | 18 | – | – | – | – | 18 |
| Impairment in respect of trade receivables | 235 | – | – | – | – | 235 |
| Reversal of impairment in respect of trade receivables | – | – | (150) | – | – | (150) |
| Impairment on other receivables | – | – | – | – | 822 | 822 |
| Reversal of impairment on other receivables | (3,932) | – | – | – | – | (3,932) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |

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 and Australia (2012: *the PRC, Hong Kong, Australia and Russia*).

The following table sets out information about the geographical location of (i) the Group's revenue from external customers; and (ii) the Group's non-current assets other than financial assets at fair value through profit or loss. The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the non-current assets is based on the physical location of the assets.

| | Revenue from external customers | | Non-current assets | |
|------------------------|------------------------------------|------------------|--------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 | 2013 HK\$'000 | 2012 HK\$'000 |
| The PRC | 412,082 | 518,346 | 102,809 | 2,640,964 |
| Hong Kong | 85,733 | 73,223 | 52,521 | 49,385 |
| Australia | 67,760 | 99,265 | – | – |
| Russia | – | 61,994 | – | – |
| Other overseas markets | 57,561 | 38,155 | – | – |
| | 623,136 | 790,983 | 155,330 | 2,690,349 |

In addition to the information disclosed above, the Group generated other revenue and net income from information home appliances segment of approximately HK\$5,674,000 (2012: *approximately HK\$1,130,000*) and HK\$Nil (2012: *approximately HK\$1,000*) in the PRC and Hong Kong respectively, and the Group generated other revenue and net income from investing segment of approximately HK\$8,486,000 (2012: *approximately HK\$8,000*) and approximately HK\$1,211,000 (2012: *approximately HK\$1,046,000*) in the PRC and Hong Kong respectively.

The Group also generated other revenue and net income from trading segment of approximately HK\$83,000 (2012: *approximately HK\$150,000*) in the PRC, and the Group generated other revenue and net income from other operations segment of approximately HK\$4,450,000 (2012: *approximately HK\$4,646,000*) and approximately HK\$1,392,000 (2012: *approximately HK\$1,392,000*) in the PRC and Hong Kong respectively.

Information about major customers

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

| | 2013 HK\$'000 | 2012 HK\$'000 |
|------------|------------------|------------------|
| Customer A | 408,805 | 512,877 |
| Customer B | 82,285 | N/A |
| Customer C | 67,760 | 99,263 |
| | 558,850 | 612,140 |

4. OTHER REVENUE AND NET INCOME

| | 2013 HK\$'000 | 2012 HK\$'000 |
|--|----------------------|---------------------|
| Other revenue | | |
| Dividend income from listed securities | 83 | 160 |
| Interest income from bank deposits | 1,290 | 893 |
| Interest income from other loans and receivables | 3,287 | – |
| Consultancy fee income | 5,831 | – |
| Rental income from investment properties | 1,392 | 1,392 |
| Rental income from buildings | 4,450 | 4,646 |
| Sundry income | 1,055 | 1,356 |
| | <u>17,388</u> | <u>8,447</u> |
| Other net income | | |
| Fair value gain on derivative financial instruments | 421 | – |
| Foreign exchange gain, net | 498 | – |
| Net unrealised holding gain on financial assets at fair value through profit or loss | – | 894 |
| Gain on disposal of financial assets at fair value through profit or loss | 5,911 | – |
| Reversal of impairment in respect of trade receivables | – | 150 |
| Reversal of impairment on other receivables | 399 | – |
| Write-off of long outstanding trade payables | 5,238 | – |
| | <u>12,467</u> | <u>1,044</u> |
| | <u><u>29,855</u></u> | <u><u>9,491</u></u> |

5. PROFIT/(LOSS) FROM OPERATIONS

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

| | 2013 HK\$'000 | 2012 HK\$'000 |
|---|-----------------------|----------------------|
| Auditor's remuneration | 1,100 | 1,040 |
| Bad debts | – | 18 |
| Write-off of other receivables | 525 | – |
| Impairment in respect of trade receivables | – | 235 |
| Impairment on other receivables | – | 822 |
| Amortisation of prepaid lease payments | 387 | 380 |
| Depreciation of property, plant and equipment | 8,905 | 8,445 |
| Cost of inventories | 558,563 | 697,869 |
| Foreign exchange (gain)/loss | (498) | 53 |
| Loss on disposal of property, plant and equipment | 134 | 141 |
| Reversal of write-down of inventories* | (142) | – |
| Reversal of impairment in respect of trade receivables | – | (150) |
| Reversal of impairment on other receivables | (399) | (3,932) |
| Write-down of inventories | 6,635 | 8,014 |
| (Gain)/Loss on disposal of financial assets at fair value through profit or loss | (5,911) | 247 |
| Net unrealised holding loss/(gain) on financial assets at fair value through profit or loss | 3,729 | (894) |
| Direct outgoings from leasing of investment properties | 5 | 7 |
| Operating lease charges on premises | 3,950 | 3,534 |
| Research and development costs | 36 | 116 |
| | <u><u>138,440</u></u> | <u><u>72,042</u></u> |
| Staff costs (including Directors' emoluments): | | |
| Salaries and allowances | 6,614 | 8,308 |
| Retirement benefits scheme contributions | – | – |
| | <u><u>145,054</u></u> | <u><u>80,350</u></u> |

* The reversal of write-down of inventories arose from disposal of inventories which had been written down in previous years.

6. FINANCE COSTS

| | 2013 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Interest on bank loans wholly repayable within five years | 10,137 | 7,122 |
| Interest on bank loans wholly repayable over five years | 287 | 317 |
| Interest on loan advanced from a joint venture | 4,043 | – |
| | <u>14,467</u> | <u>7,439</u> |
| Total borrowing costs | 14,467 | 7,439 |
| Amortised interest expenses in respect of settlement fee payable | 22,226 | – |
| | <u>36,693</u> | <u>7,439</u> |

7. TAXATION

The taxation charged to profit or loss represents:

| | 2013 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Current tax | | |
| Hong Kong profits tax | | |
| Overprovision in prior year | – | (12) |
| | – | (12) |
| PRC enterprise income tax | | |
| Current year | 177,056 | 3,555 |
| Overprovision in prior year | (2,780) | – |
| | <u>174,276</u> | <u>3,555</u> |
| | <u>174,276</u> | <u>3,543</u> |
| Deferred taxation | | |
| Origination and reversal of temporary difference | (17) | 1,381 |
| Benefit of tax losses recognised/(reversed) | 17 | (1,381) |
| | – | – |
| Charge for the year | <u>174,276</u> | <u>3,543</u> |

For the year ended 31st December 2013, Hong Kong Profits Tax has not been provided as the Group did not have any assessable profit from Hong Kong. For the year ended 31st December 2012, Hong Kong Profits Tax has not been provided as the estimated assessable profits for the year are wholly absorbed by unrelieved tax losses brought forward from previous years.

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 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% (2012: 15%) for 2013.

A subsidiary of the Company incorporated in British Virgin Islands is subject to the withholding tax rate of 10% on the capital gain from the disposal of investment in the PRC.

8. DIVIDENDS

| | 2013 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Interim dividend of HK\$0.05 (2012: <i>HK\$Nil</i>) per share (Note (a)) | 89,606 | – |
| Proposed final dividend of HK\$0.05 (2012: <i>HK\$Nil</i>) per share (Note (b)) | 89,606 | – |
| | <u>179,212</u> | <u>–</u> |

Notes:

- (a) On 10th May 2013, the Board declared an interim dividend of HK\$0.05 per share. This interim dividend was distributed on 24th June 2013.
- (b) On 19th March 2014, the Board proposed the payment of a final dividend of HK\$0.05 per share. The proposed final dividend has not been recognised as dividend payables in the balance sheet as at 31st December 2013, but will be reflected as an appropriation of reserves in the year ending 31st December 2014 if it is approved by the shareholders of the Company (the “Shareholders”) in the forthcoming annual general meeting.

9. EARNINGS/(LOSS) PER SHARE

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

| | 2013 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Profit/(Loss) attributable to owners of the parent | <u>2,167,412</u> | <u>(499,954)</u> |
| | <i>'000</i> | <i>'000</i> |
| Issued ordinary shares at 1st January | 1,747,506 | 1,735,120 |
| Effect of share options exercised | 32,221 | 7,125 |
| Weighted average number of ordinary shares for basic earnings/(loss) per share | 1,779,727 | 1,742,245 |
| Effect of dilutive potential ordinary shares: | | |
| Exercise of share options | 7,753 | N/A |
| Weighted average number of ordinary shares for diluted earnings/(loss) per share | <u>1,787,480</u> | <u>1,742,245</u> |
| | <i>HK\$</i> | <i>HK\$</i> |
| Earnings/(Loss) per share: | | |
| – Basic | 1.22 | (0.29) |
| – Diluted (Note) | <u>1.21</u> | <u>(0.29)</u> |

Note: The calculation of diluted earnings per share for the year ended 31st December 2013 is based on the profit attributable to owners of the parent of approximately HK\$2,167,412,000, and the weighted average number of ordinary shares issued during the year after adjusting for the number of dilutive potential ordinary shares of approximately 1,787,480,000 arising from the outstanding share options granted under the Company’s share option scheme.

Diluted loss per share is the same as the basic loss per share for the year ended 31st December 2012 because the effect of potential ordinary shares is anti-dilutive.

10. INTEREST IN A JOINT VENTURE

| | 2013 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Interest in a joint venture | | |
| Share of net assets | 2,562,827 | 2,535,249 |
| Released upon disposal of a subsidiary | <u>(2,562,827)</u> | <u>–</u> |
| | <u>–</u> | <u>2,535,249</u> |

Notes:

- (a) Details of the joint venture, which is accounted for using the equity method in the consolidated financial statements, are as follows:

| Name of joint venture | Principal place of business and place of incorporation | Particular of registered capital | Proportion of registered capital held by the Company | Principal activity |
|--|--|----------------------------------|--|---|
| Gongbujiangda Jiangnan Industrial Development Company Limited (“JI”) | The PRC | 100,000,000 | 36.66% | Investment in A shares of Ping An Insurance (Group) Company of China, Ltd. (“Ping An Shares”) |

JI, the only joint venture in which the Group participated, is an unlisted corporate entity whose quoted market price is not available. JI was jointly owned by the Group with another party to carry out investing activities in Mainland China.

Summarised financial information of JI is set out below, which represents amounts shown in the JI’s financial statements prepared in accordance with HKFRSs and adjusted by the Group for equity accounting purposes including any differences in accounting policies and fair value adjustments, as appropriate.

| | 2013 HK\$'000 | 2012 HK\$'000 |
|---|------------------|------------------|
| Gross amounts of | | |
| Current assets | 203,446 | 209,079 |
| Non-current assets | 7,340,283 | 7,548,123 |
| Current liabilities | (203,742) | (193,290) |
| Non-current liabilities | (100,483) | (97,423) |
| | <u>7,239,504</u> | <u>7,466,489</u> |
| Equity | | |
| Included in above: | | |
| Cash and cash equivalents | 4,122 | 209,079 |
| Current financial liabilities (excluding trade and other payables and provisions) | (198,423) | – |
| | <u>4,122</u> | <u>209,079</u> |
| Revenue | 92,052 | 70,929 |
| Expense | (21,261) | (6,287) |
| | <u>70,791</u> | <u>64,642</u> |
| Profit for the year | | |
| Other comprehensive loss | (444,978) | (66,175) |
| | <u>(374,187)</u> | <u>(1,533)</u> |
| Total comprehensive loss | | |
| Included in above: | | |
| Interest income | 4,588 | 4,601 |
| Interest expense | (4,043) | – |
| Income tax expenses | (52) | (132) |
| | <u>132,980</u> | <u>–</u> |
| Dividend received from a joint venture | | |
| | <u>132,980</u> | <u>–</u> |
| Reconciled to the Group's share of income statement and statement of comprehensive income in JI | | |
| Gross amount of JI's profit | 70,791 | 64,642 |
| Gross amount of JI's other comprehensive loss | (444,978) | (66,175) |
| Group's effective interest | 36.66% | 36.66% |
| Group's share of JI's profit | 25,952 | 23,698 |
| Group's share of JI's other comprehensive loss [#] | (45,993) | (110,727) |
| | <u>25,952</u> | <u>23,698</u> |
| Reconciled to the Group's interest in JI | | |
| Gross amount of JI's net assets | 7,239,504 | 7,466,489 |
| Group's effective interest | 36.66% | 36.66% |
| Group's share of JI's net assets* | 2,562,827 | 2,535,249 |
| Released upon disposal of a subsidiary | (2,562,827) | – |
| | <u>2,562,827</u> | <u>–</u> |
| Carrying amount | <u>–</u> | <u>2,535,249</u> |

[#] The amount represents the loss on change in fair value of the associated economic benefits of the 51,000,000 Ping An Shares (net of tax) of approximately HK\$45,993,000 (2012: HK\$110,727,000) attributed to Beijing Golden Yuxing Electronics and Technology Company Limited (“Golden Yuxing”), a wholly-owned subsidiary of the Company as mentioned in Note (b) below.

^{*} The amount represents the fair value (after deducting the recognised deferred tax liabilities arising from the cumulative net change in fair value) of the associated economic benefits of the 51,000,000 Ping An Shares attributed to Golden Yuxing amounted to approximately HK\$2,562,936,000 (2012: approximately HK\$2,529,461,000) as mentioned in Note (b) below and the share of JI's net current liabilities of approximately HK\$109,000 (2012: net current assets of approximately HK\$5,788,000).

The above financial information is prepared using the same accounting policies of the Group.

- (b) Included in the share of net assets of a joint venture was 51,000,000 Ping An Shares with fair value of approximately HK\$2,562,936,000 as at 31st December 2013 (2012: approximately HK\$2,529,461,000) for which the Company, through Golden Yuxing held 36.66% equity interest in JI (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 “New JI Shareholder”) who holds 63.34% equity interest in JI, for the purpose of governing their respective interest in Ping An Shares through their equity interest in JI. According to the Agreement, all significant matters of JI have to be approved by both shareholders. In the opinion of the Directors, Golden Yuxing and the New JI Shareholder share joint control over the economic activities of JI and none of the participating parties has unilateral control over the economic activities.

As at 31st December 2013, the fair value of 51,000,000 Ping An Shares was determined by Vigers Appraisal & Consulting Limited, which was based on its market value with the impact of freezing order and the relevant releasing arrangement as specified in note 13 on settlement fee payable being taken into consideration by using the Discount for Lack of Marketability Model. Accordingly, a share of loss on change in fair value of Ping An Shares (net of tax) of approximately HK\$45,993,000 (equivalent to approximately RMB36,159,000) as at 31st December 2013 was recorded in other comprehensive loss (2012: approximately HK\$110,727,000 (equivalent to approximately RMB89,788,000)).

As further detailed in note 16, on 11th October 2013, the Group entered into a conditional agreement, to dispose of the entire equity interest in Golden Yuxing. The Group ceased to recognise JI as a joint venture when the transaction was completed upon the satisfaction of all the key conditions as specified in the Company’s circular dated 31st October 2013 (i.e. including but not limited to obtaining the approvals from the Shareholders, the board of directors of Golden Yuxing and the relevant PRC authorities) on 31st December 2013.

11. TRADE AND OTHER RECEIVABLES

| | 2013 HK\$'000 | 2012 HK\$'000 |
|--|-----------------------|-----------------------|
| Trade and bills receivables | 161,313 | 152,185 |
| Less: Impairment in respect of trade receivables | (2,545) | (3,999) |
| | <u>158,768</u> | <u>148,186</u> |
| Other receivables, net of impairment | 8,668 | 17,614 |
| Other loans | 40,714 | – |
| Prepayments and deposits | 8,090 | 16,990 |
| | <u><u>216,240</u></u> | <u><u>182,790</u></u> |

The amount of the Group’s trade and other receivables expected to be recovered or recognised as expense after more than one year is approximately HK\$2,185,000 (2012: approximately HK\$2,697,000). All of the other trade and other receivables are expected to be recovered or recognised as expenses within one year.

Other loans represent receivables from an independent third party with an aggregate principal amount of HK\$40,714,000, mature on 2nd January 2014 and carry fixed interest rate of 4.60% per annum.

The Group grants its trade customers an average credit period from 30 days to 18 months (2012: 30 days to 18 months). The ageing analysis of trade and bills receivables (net of impairment) by delivery date at the balance sheet date is as follows:

| | 2013 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
|--------------|-------------------------|-------------------------|
| 0-30 days | 84,875 | 77,323 |
| 31-60 days | 48,881 | 19,850 |
| 61-90 days | 18,813 | 46,846 |
| Over 90 days | 6,199 | 4,167 |
| | <u>158,768</u> | <u>148,186</u> |

12. TRADE AND OTHER PAYABLES

| | 2013 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Trade payables (<i>Note</i>) | 133,052 | 154,904 |
| Other payables | 15,347 | 17,487 |
| Refundable deposit for disposal of a subsidiary | 38,158 | – |
| Accruals | 93,722 | 43,326 |
| | <u>280,279</u> | <u>215,717</u> |

Note: The ageing analysis of trade payables at the balance sheet date is as follows:

| | 2013 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
|--------------|-------------------------|-------------------------|
| 0-30 days | 45,415 | 61,109 |
| 31-60 days | 36,534 | 44,780 |
| 61-90 days | 18,446 | 29,086 |
| Over 90 days | 32,657 | 19,929 |
| | <u>133,052</u> | <u>154,904</u> |

13. SETTLEMENT FEE PAYABLE

| | 2013 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Balance as at 1st January | 520,291 | – |
| 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 | 22,226 | – |
| Exchange realignment | 16,690 | 1,855 |
| Paid during the year | (190,791) | – |
| Released upon disposal of a subsidiary | (368,416) | – |
| | <u>–</u> | <u>520,291</u> |
| Balance as at 31st December | – | 520,291 |
| Portion classified as current liabilities | – | (184,980) |
| | <u>–</u> | <u>335,311</u> |

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”), Golden Yuxing and Guangdong Jianlibao Group Company Limited (“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 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 (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 RMB450,000,000 (“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 RMB450,000,000 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 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 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 (“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 Notices 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 by Golden Yuxing 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 RMB156,000,000 (equivalent to approximately HK\$198,423,000) provided by JI (the “Loan”) for settling the first tranche of RMB150,000,000 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 8,800,000 Ping An 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 used the Loan to fully settle the first tranche of the Settlement Fee to JLB Group and its designated entities. During the year ended 31st December 2013, total interest on loan from JI amounting to approximately HK\$4,043,000 was recognised in profit or loss.

As further detailed in note 16, on 11th October 2013, the Group entered into a conditional agreement in relation to the disposal of the entire equity interest in Golden Yuxing. The disposal transaction was completed on 31st December 2013 and the remaining undiscounted settlement fee payable and loan from JI of approximately HK\$381,582,000 and approximately HK\$198,423,000 were released upon disposal.

14. SHARE CAPITAL

| | Number of shares | | Amount | |
|---|------------------|------------------|------------------|------------------|
| | 2013 '000 | 2012 '000 | 2013 HK\$'000 | 2012 HK\$'000 |
| Authorised: | | | | |
| At beginning of year and at end of year | | | | |
| Ordinary shares of HK\$0.025 each | <u>8,000,000</u> | <u>8,000,000</u> | <u>200,000</u> | <u>200,000</u> |
| Issued and fully paid: | | | | |
| At beginning of year | | | | |
| Ordinary shares of HK\$0.025 each | <u>1,747,506</u> | <u>1,735,120</u> | <u>43,688</u> | <u>43,378</u> |
| Exercise of share options (<i>Note</i>) | <u>44,611</u> | <u>12,386</u> | <u>1,115</u> | <u>310</u> |
| At end of 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> |

Note:

During the year ended 31st December 2013, 44,611,000 (2012: 12,386,000) ordinary shares of HK\$0.025 each were issued at total amount of approximately HK\$13,272,000 (2012: approximately HK\$3,685,000) as a result of the exercise of share options of the Company.

15. RESERVES

| | 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 | Other reserves HK\$'000 | Retained profits/ losses (Accumulated) HK\$'000 | Total HK\$'000 |
|---|---------------------------|--------------------------------|---------------------------------|-----------------------------------|---|----------------------------------|----------------------------|---|-------------------|
| As at 1st January 2012 | 37,003 | 20,190 | 234,621 | 30,336 | 1,103,488 | 686,287 | - | 106,371 | 2,218,296 |
| Loss for the year | - | - | - | - | - | - | - | (499,954) | (499,954) |
| Other comprehensive income: | | | | | | | | | |
| Change in fair value of available-for-sale financial assets | - | - | - | - | 690,061 | - | - | - | 690,061 |
| Share of other comprehensive loss arising from interest in a joint venture (net of tax) | - | - | - | - | (110,727) | - | - | - | (110,727) |
| Exchange differences arising on translation of PRC subsidiaries | - | - | - | - | - | 777 | - | - | 777 |
| Total other comprehensive income | - | - | - | - | 579,334 | 777 | - | - | 580,111 |
| Total comprehensive income for the year | - | - | - | - | 579,334 | 777 | - | (499,954) | 80,157 |
| Transactions with owners: | | | | | | | | | |
| <i>Contributions and distributions</i> | | | | | | | | | |
| Issue of shares under share option scheme | 4,690 | - | - | (1,315) | - | - | - | - | 3,375 |
| Transfer from retained profits to statutory reserves | - | 245 | - | - | - | - | - | (245) | - |
| Total transactions with owners | 4,690 | 245 | - | (1,315) | - | - | - | (245) | 3,375 |
| As at 31st December 2012 and as at 1st January 2013 | 41,693 | 20,435 | 234,621 | 29,021 | 1,682,822 | 687,064 | - | (393,828) | 2,301,828 |
| Profit for the year | - | - | - | - | - | - | - | 2,167,412 | 2,167,412 |
| Other comprehensive loss: | | | | | | | | | |
| Share of other comprehensive loss arising from interest in a joint venture (net of tax) | - | - | - | - | (45,993) | - | - | - | (45,993) |
| Exchange differences arising on translation of PRC subsidiaries | - | - | - | - | - | 71,163 | - | - | 71,163 |
| Release of reserves upon disposal of a subsidiary | - | - | - | - | (1,636,829) | (678,863) | - | - | (2,315,692) |
| Total other comprehensive loss | - | - | - | - | (1,682,822) | (607,700) | - | - | (2,290,522) |
| Total comprehensive loss for the year | - | - | - | - | (1,682,822) | (607,700) | - | 2,167,412 | (123,110) |
| Release of statutory reserves upon disposal of a subsidiary | - | (11,767) | - | - | - | - | - | 11,767 | - |
| Transactions with owners: | | | | | | | | | |
| <i>Contributions and distributions</i> | | | | | | | | | |
| Issue of shares under share option scheme | 15,572 | - | - | (3,415) | - | - | - | - | 12,157 |
| Share options expired | - | - | - | (25,606) | - | - | - | 25,606 | - |
| Interim dividend | - | - | - | - | - | - | - | (89,606) | (89,606) |
| <i>Changes in ownership interests</i> | | | | | | | | | |
| Change in ownership interest in a subsidiary that does not result in a loss of control | - | - | - | - | - | - | (1,113) | - | (1,113) |
| Total transactions with owners | 15,572 | - | - | (29,021) | - | - | (1,113) | (64,000) | (78,562) |
| As at 31st December 2013 | 57,265 | 8,668 | 234,621 | - | - | 79,364 | (1,113) | 1,721,351 | 2,100,156 |

16. DISPOSAL OF A SUBSIDIARY

Pursuant to a conditional agreement dated 11th October 2013, the Group agreed to dispose of the entire equity interests in Golden Yuxing to an independent third party for a total consideration of approximately RMB1,413.8 million (equivalent to approximately HK\$1,798.3 million).

The disposal was completed on 31st December 2013. Accordingly, Golden Yuxing ceased to be a subsidiary of the Group and JI ceased to be a joint venture of the Group, and a gain on disposal of a subsidiary of approximately HK\$2,425,977,000 was recognised in profit or loss. The net assets disposed of at the completion date were as follows:

| | 2013 HK\$'000 |
|--|-------------------------|
| Net assets disposed of | |
| Property, plant and equipment | 740 |
| Other receivables | 647 |
| Interest in a joint venture | 2,562,827 |
| Cash and bank balances | 54 |
| Trade and other payables | (43,411) |
| Settlement fee payable | (368,416) |
| Loan advanced from a joint venture | (198,423) |
| | <u>1,954,018</u> |
| Release of reserves upon disposal | |
| Translation reserves | (678,863) |
| Investment revaluation reserves | (1,636,829) |
| Net gain of fair value of options in connection with the repurchase of no more than 41 million Ping An Shares but no less than 27 million Ping An Shares | (266,046) |
| Gain on disposal | <u>2,425,977</u> |
| Total consideration satisfied by cash consideration | <u><u>1,798,257</u></u> |

| | 2013 HK\$'000 |
|---|-------------------------|
| Satisfied by: | |
| Cash received | 15,263 |
| Consideration receivable included in current assets (<i>Note</i>) | 1,782,994 |
| | <u><u>1,798,257</u></u> |

Analysis of net inflow of cash and cash equivalents in respect of the disposal of a subsidiary:

| | 2013 HK\$'000 |
|---|----------------------|
| Cash received | 15,263 |
| Cash and cash equivalents disposed of | (54) |
| Net inflow of cash and cash equivalents | <u><u>15,209</u></u> |

Note: The consideration receivable has been fully settled in cash subsequently after the balance sheet date.

DIVIDENDS

The Board recommends the payment of a final dividend of HK\$0.05 per share for the year ended 31st December 2013 (the “Year”) (2012: HK\$Nil). Subject to the approval of the shareholders of the Company (the “Shareholders”) at the forthcoming annual general meeting on 16th May 2014 (the “AGM”), the proposed final dividend will be distributed on or about 13th June 2014 to the shareholders whose names appear on the register of members of the Company as at the close of business on 27th May 2014. During the Year, an interim dividend of HK\$0.05 per share totaling approximately HK\$89.6 million was declared and distributed (2012: HK\$Nil).

CLOSURE OF REGISTER OF MEMBERS

(a) Entitlement to Attend and Vote at the AGM

The register of members of the Company will be closed on the following time period during which no transfer of shares of the Company will be registered:

| | |
|---|--|
| For entitlement to attend and vote at the AGM: | 14th May 2014 – 16th May 2014, both dates inclusive (record date being 16th May 2014) |
|---|--|

In order to qualify for entitlement to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s registrar Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 13th May 2014.

(b) Entitlement to the Proposed Final Dividend

The register of members of the Company will be closed on the following time period during which no transfer of shares of the Company will be registered:

| | |
|--|--|
| For entitlement to the proposed final dividend: | 24th May 2014 – 27th May 2014, both dates inclusive (record date being 27th May 2014) |
|--|--|

In order to qualify for entitlement to the proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s registrar Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 23rd May 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover and Gross Profit

During the year under review, the Group's total turnover and gross profit decreased by 21.2% and 30.7% to approximately HK\$623.1 million and HK\$64.6 million respectively for the Year as compared with 2012. This decrease in overall turnover for the Year was mainly attributable to the weakened order procurement sentiment of the PRC and a few major overseas customers and more intense competition in 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 Year decreased significantly by 20.5% and 37.2% to approximately HK\$411.6 million and HK\$125.3 million respectively as compared with last year.

Operating Results

Other Revenue and Net Income

Other revenue and net income increased by 214.6% to approximately HK\$29.9 million for the Year (2012: approximately HK\$9.5 million). This increase for the Year was mainly attributable to the following reasons: (1) a consultancy fee income of approximately HK\$5.8 million (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 of approximately HK\$3.1 million for the Year (2012: HK\$Nil); (3) the realised gains on financial assets at fair value through profit or loss totalling approximately HK\$5.9 million for the Year (2012: unrealised gains of approximately HK\$0.9 million); and (4) write-off of long outstanding trade payables of approximately HK\$5.2 million for the Year (2012: HK\$Nil).

Share of Results of a Joint Venture

Reference is made to the announcements of the Company dated 15th May 2012 and 29th June 2012, whereby another shareholder of JI had agreed to transfer its 63.34% equity interest in JI (the "JI Equity Transfer") to 林芝正大環球投資有限公司 (the "New JI Shareholder"). In the meantime, Beijing Golden Yuxing Electronics and Technology Company Limited ("Golden Yuxing"), a wholly-owned subsidiary of the Company, entered into a bilateral agreement (the "Agreement") with the New JI Shareholder on 8th June 2012 for the purpose of governing their respective interests in A shares of Ping An Insurance (Group) Company of China, Ltd. ("Ping An Shares") through their equity interests in JI. The Agreement became effective immediately upon completion of the relevant registration of JI Equity Transfer on 14th June 2012. According to the Agreement, all significant matters of JI have to be approved by both shareholders. In the opinion of the Directors, Golden Yuxing and the New JI Shareholder share joint control over the economic activities of JI and none of the participating parties has unilateral control over the economic activities of JI. As a result, the Group recognised the share of results of a joint venture of approximately HK\$26.0 million for the Year (2012: approximately HK\$23.7 million).

Change in Fair Value of Investment Properties

The Group recognised a revaluation gain of approximately HK\$3.1 million on its investment properties for the Year (2012: approximately HK\$10.2 million).

Operating Expenses

With the decrease of the Group's overall turnover in 2013, the Group's overall selling expenses also decreased by 9.8% to approximately HK\$16.6 million for the Year as compared with the last year. At the same time, the Group's general and administrative expenses for the Year significantly increased by 75.2% to approximately HK\$151.4 million as compared with last year. The increase in the Group's general and administrative expenses during the year under review was mainly due to the distribution of a discretionary bonus to the Directors and the Group's staff upon the Group recognised a significant gain from the disposal of entire equity interest of Golden Yuxing.

Other Operating Expenses

Other operating expenses increased to approximately HK\$5.5 million for the Year (2012: approximately HK\$2.3 million). The main reason was that the Group recorded unrealised losses on financial assets at fair value through profit or loss of approximately HK\$3.7 million for the Year (2012: realised losses of approximately HK\$0.2 million).

Gain on Disposal of a Subsidiary

References are made to the announcements dated 11th October 2013, 28th October 2013, 15th November 2013 and 2nd January 2014 and the circular dated 31st October 2013 of the Company.

During the Year, the Group disposed of its entire equity interest in Golden Yuxing, which had indirect economic benefits in 51 million Ping An Shares through its 36.66% equity interest in JI. At the same time, it was agreed that the Group shall repurchase no more than 41 million Ping An Shares but no less than 27 million Ping An Shares at an exercise price of RMB37.29 per share from JI during 90 days after the final payment date of the agreement (the "Repurchase(s)"). As a result, the Group recorded a significant gain of approximately HK\$2,426.0 million for the Year (2012: HK\$Nil) from the disposal of Golden Yuxing during the year 2013, of which a net gain of fair values of put option and call option of approximately HK\$266.0 million was recognised in profit or loss and form part of the gain on disposal of Golden Yuxing.

Finance Costs

Finance costs of the Group increased to approximately HK\$36.7 million for the Year (2012: approximately HK\$7.4 million). Such increase in finance costs was due to the amortised interest expenses of approximately HK\$22.2 million for the Year (2012: HK\$Nil) in respect of the settlement fee payable to 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 financial statements in this announcement).

Profit for the Year

Due to the above-mentioned reasons, the Group recorded a profit attributable to owners of the parent of approximately HK\$2,167.4 million for the Year, while the Group recorded a loss attributable to owners of the parent of approximately HK\$500.0 million for the year ended 31st December 2012.

Liquidity, Charge on Group Assets and Financial Resources

As at 31st December 2013, the Group had net current assets of approximately HK\$2,000.4 million. The Group had cash and bank balances and pledged bank deposits of approximately HK\$121.4 million and HK\$1.8 million respectively. The Group's financial resources were funded mainly by short-term bank loans and mortgage loans totaling approximately HK\$84.1 million and its shareholders' funds. As at 31st December 2013, the Group's current ratio, as calculated by dividing current assets by current liabilities, was 4.5 time and the gearing ratio, as measured by total liabilities divided by total equity, was 26.3%. Hence, as at 31st December 2013, the overall financial and liquidity positions of the Group remained at a stable and healthy level.

Capital Structure

The shares of the Company were listed on GEM on 31st January 2000. The changes in the capital structure of the Company are set out in note 14 to the financial statement in this announcement.

Significant Investments/Material Acquisitions and Disposals

On 11th October 2013, Yuxing Group (International) Limited ("Yuxing International"), 盛邦強點電子(中山)有限公司 (Sheng Bang Qiang Dian Electronics (Zhongshan) Company Limited) ("ZSSB"), and Golden Yuxing, all wholly-owned subsidiaries of the Company, entered into a conditional agreement with 華浩信聯(北京)投資有限公司 (Hua Hao Xin Lian (Beijing) Investment Co., Ltd.*), a company incorporated in the PRC with limited liability (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, respectively, at a total consideration of approximately RMB1,413.8 million (equivalent to approximately HK\$1,798.3 million). At the same time, it was agreed that the Group shall repurchase no more than 41 million Ping An Shares but no less than 27 million Ping An Shares at an exercise price of RMB37.29 per share from JI during 90 days after the final payment date of this agreement (the "Repurchase Period"). The above transactions were detailed in the Company's circular dated 31st October 2013. The disposal of Golden Yuxing was completed on 31st December 2013. The balance of the consideration receivable of approximately HK\$1,783.0 million as at 31st December 2013 has been fully settled in cash subsequently after the balance sheet date.

Save as disclosed above, the Group had no other significant investments and no material acquisitions or disposals during the year under review.

Segment Information

The Group's star business segment is the IHA. The total turnover of the IHA segment for the Year decreased by 21.2% to approximately HK\$622.6 million as compared with last year. During the year under review, weakened order procurement sentiment of a PRC customer and more intense competition in 2013, 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 Year decreased significantly by 20.5% to approximately HK\$411.6 million as compared with last year. For the overseas markets, with the significant reduction in purchase orders from a few major overseas customers, especially, sales in Russia for the Year decreased to HK\$Nil, and sales in Australia for the Year also decreased by 31.7% to approximately HK\$67.8 million as compared with last year. As a result, although sales to a new overseas customer recorded approximately HK\$35.4 million for the Year, the overall overseas turnover decreased significantly by 37.2% to approximately HK\$125.3 million for the Year as compared with 2012. 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 17.1% from last year to approximately HK\$85.7 million for the Year. However, with the significant drop of turnover in the PRC and the overseas markets, the Group recorded a loss of approximately HK\$6.2 million in the IHA segment for the Year (2012: a profit of approximately HK\$19.1 million).

The Group's investing segment is principally engaged in trading of securities and interest in a joint venture which is principally engaged in investing in available-for-sale financial assets. This segment recorded a profit of approximately HK\$2,457.8 million for the Year (2012: approximately HK\$24.3 million). The main reason for this profit was that except share of results of a joint venture of approximately HK\$26.0 million (2012: approximately HK\$23.7 million) in this segment for the Year, the Group also recorded a significant gain of approximately HK\$2,426.0 million from the disposal of one of its PRC subsidiaries during the Year (2012: HK\$Nil).

In respect of the Group's trading segment, because of the lack of new breakthrough in recent years, the Group recorded a loss of approximately HK\$0.5 million for this segment for the Year (2012: approximately HK\$0.1 million). The other operations segment of the Group mainly comprises leasing out of properties. This segment recorded a profit of approximately HK\$3.6 million from the leasing out of properties for the Year (2012: approximately HK\$3.3 million) and amongst other things, fair value gain from investment properties of approximately HK\$3.1 million was recorded in this segment for the Year (2012: approximately HK\$10.2 million).

Geographical markets of the Group were mainly located in the PRC during the year under review. The turnover for the Year generated from the PRC market significantly decreased by 20.5% to approximately HK\$412.1 million as compared with last year. This decrease was mainly attributable to the weakened order procurement sentiment of a PRC customer and more intense competition. As to overseas markets, other than no sales in Russian market, sales in Australian and other overseas markets for the Year of approximately HK\$67.8 million and HK\$57.5 million were recorded respectively, representing a significant decrease of 31.7% and an increase of 50.9% respectively as compared with 2012. In the Hong Kong market, the turnover increased by 17.1% to approximately HK\$85.7 million for the Year as compared with last year.

Exposure to Fluctuations in Exchange Rates

Most of the trading transactions of the Group were denominated in United States dollars and 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 Year and no hedging or other alternative measure has been implemented by the Group. As at 31st December 2013, the Group had no significant exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

Human Resources

As at 31st December 2013, the Group had over 760 (2012: over 880) full time employees, of which 11 (2012: 10) were based in Hong Kong and the rest were in the PRC. Staff costs of the Group amounted to approximately HK\$145.1 million for the Year (2012: approximately HK\$80.4 million). Increase in staff costs was mainly due to the increase in salary of both Directors and employees, and the distribution of a discretionary bonus to the Directors and the staff of the Group upon the recognition of a significant gain from the disposal of entire equity interest of Golden Yuxing during the year under review. 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 option schemes.

BUSINESS REVIEW

After eleven years of development and under the steady growth of the global Internet Protocol Television ("IPTV") market, the Group's IPTV STB business has entered into a period of steady growth. However, under the intense market competition condition, we are facing many opportunities as well as confronting severe challenges. With the accumulation of technological expertise over the years and our own intermediary software platform, the Group could meet needs of different customers, integrate with termination systems and customize end products. Products launched by the Group include standard-definition STB, high digital STB, dual mode STB, Over-The-Top TV ("OTT")/IPTV STB, as well as STB equipped with an Android system. In 2013, due to the weakened order procurement sentiment of a PRC customer and a few major overseas customers and fierce market competition, there was a significant decrease of turnover of the Group in both the PRC market and some overseas markets. As such, during the year under review, the Group's overall turnover and gross profit decreased by 21.2% and 30.7% to approximately HK\$623.1 million and HK\$64.6 million respectively for the Year as compared with 2012.

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. However, due to the weakened order procurement sentiment of this PRC customer and worse market competition, there was a significant decrease in the selling price of STB. As a result, the turnover of the Group in the PRC market decreased by 20.5% to approximately HK\$412.1 million for the Year as compared with 2012.

In overseas market, the Group's products provided quality new entertainment experience to the end users not only in the IPTV sector, but also in the music and video sector. Meanwhile, the Group maintained good cooperation relationship with various existing telecommunication operators and system integration suppliers. The Group has managed to forward continuous shipments of its products to customers in Belgium, Spain and Sweden etc. and secured a stable market position in these markets. At the same time, the Group was actively exploring new markets in South America and Africa etc. However, due to the significant reduction in purchase orders from a few overseas customers, sales in Russia for the Year decreased to HK\$Nil, and sales in Australia for the Year also decreased by 31.7% to approximately HK\$67.8 million as compared with last year. Consequently, even though there was a turnover of approximately HK\$35.4 million recorded from a new overseas customer, the overall overseas turnover decreased significantly by 37.2% to approximately HK\$125.3 million for the Year as compared with 2012.

As one of the leading suppliers of IPTV STB in Hong Kong, the Group maintained close cooperation with a Hong Kong telecommunication operator in its marketing activities in the past few years and achieved stable sales. The launch of its high digital STB in the market received good responses from users during the year under review, resulting in the significantly increase in the Group's turnover in Hong Kong market by 17.1% to approximately HK\$85.7 million for the Year as compared with 2012.

As for investment business, the Group conducted some useful attempts in corporate equity investment and secondary market investment based on the principles of scientific analysis and prudent determination, tried to identify the matching point between the capacity of the Company and market environment. Based on value investment, the Group selects the investment with lower risk in the secondary market by taking risk control and reasonable earning expectation as the investment strategy, and maintenance and appreciation of asset value are the long-term investment commitment of the Group.

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"), Golden Yuxing 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 at the special general meeting (the "SGM") 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 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 (“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 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 by Golden Yuxing 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 RMB156.0 million (equivalent to HK\$198.4 million) provided by JI (the “Loan”) for settling the first tranche of RMB150.0 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 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 used the Loan to fully settle the first tranche of the Settlement Fee to JLB Group and its designated entities. During the year ended 31st December 2013, total interest on loan from JI amounting to approximately HK\$4.0 million was recognised in profit or loss.

On 11th October 2013, Yuxing International, ZSSB and Golden Yuxing entered into a conditional agreement (the “Disposal Agreement”) with 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 a total consideration of approximately RMB1,413.8 million. At the same time, it was agreed that the Group shall repurchase no more than 41 million Ping An Shares but no less than 27 million Ping An Shares from JI during the Repurchase Period. The Disposal Agreement were approved by the Shareholders at the SGM on 15th November 2013. The remaining undiscounted settlement fee payable and loan from JI of approximately HK\$381.6 million and HK\$198.4 million respectively were released upon the completion of the disposal of Golden Yuxing on 31st December 2013. As a result, the Group recorded a significant gain of approximately HK\$2,426.0 million for the Year (2012: HK\$Nil) from the disposal of Golden Yuxing during the year 2013, of which a net gain of fair values of put option and call option (due to the Repurchase(s)) of approximately HK\$266.0 million was recognised in profit or loss and form part of the gain on disposal of Golden Yuxing. For further details, the Directors request the Shareholders and investors of the Company to refer to the notes 24(c) and 32 to the financial statements of the Company’s annual report 2013. As the fair values of put option and call option (due to the Repurchase(s)) was mainly based on the observable market price of Ping An Share(s), the time limit of the options and other factors, with the change of the market price of Ping An Share(s) and as time flies, the fair value of these options will change as well, and this may considerably impact on the results of the Group positively or negatively in the near future.

On 2nd January 2014, being the final payment date, the Purchaser has fully paid the total consideration in accordance with the terms of the Disposal Agreement. On the same day, the Repurchase Period commenced and Yuxing International will repurchase no more than 41 million Ping An Shares but no less than 27 million Ping An Shares from JI during the Repurchase Period. Further details are set out in the Company's announcements dated 27th September 2013, 11th October 2013, 23rd October 2013, 28th October 2013, 15th November 2013 and 2nd January 2014 and the Company's circular dated 31st October 2013.

In addition, according to the Agreement, the Group has repurchased 10.0 million Ping An Shares from JI as at the date of this announcement. Further announcements will be made by the Company regarding updates on the completion of the Repurchase(s).

BUSINESS PROSPECT

In 2014, the IPTV STB business of the Group is facing new challenges and desiring for a new transformation. The business might have a further decrease if sticking to the old path. The Group is confident to accomplish a proactive transformation of this business from a capital-based view and in such a manner, as well as work hard on exploring the linkage of internet and television, to achieve a better performance this year.

Meanwhile, with the accumulation of technological expertise over the years and the Group's own intermediary software platform, the Group will meet needs of different customers, integrate with termination systems and customize end products. Meanwhile, the Group will also continue to enhance its core technology research and development and customer service to continually provide products with advanced technologies and more price competitiveness to its customers, thereby bring better investment return to Shareholders in the future. Further, as disclosed in the paragraph headed "Business Review" regarding the disposal of Golden Yuxing, the proceeds generated from this 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 benefit from the completion of this disposal. Lastly, as for the investment business, the Group is currently focusing on the corporate equity investment. The target investment corporates is internet and the convergence of television, telecom and internet field. This filed is emerging the opportunities of huge convergence and great development. It is believed that the existing and the accumulated experiences of the IHA of the Group would help to efficiently complete the evaluation value of the invested companies, the integration of resources and the value-added. On the other hand, the Group's secondary market investment strategy will continue to base on the value investment, select investment products with lower risk to control risk and maintain reasonable earning expectation. Maintenance and appreciation of asset value are still the long-term investment commitment of the Group.

AUDIT COMMITTEE

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

The Committee provides an important link between the Board and the Company's auditor in matters coming within the scope of the Group's audit. The primary duties of the Committee are to review and supervise the financial reporting process of the Group. It also reviews the effectiveness of both the external audit and of internal controls and risk evaluation. The Committee comprises three Independent Non-executive Directors of the Company, namely Mr. Wu Jia Jun, Mr. Zhong Peng Rong and Ms. Shen Yan. Ms. Shen was appointed as the chairman of the Committee and she has appropriate professional qualifications in accounting and auditing experience. The Committee held four meetings during the current financial year. The Group's audited annual results for the year ended 31st December 2013 have been reviewed by the Committee.

SCOPE OF WORK OF MAZARS CPA LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31st December 2013 have been agreed by the Group's auditor, Mazars CPA Limited ("Mazars"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Mazars in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars on this preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's shares during the year under review.

SECURITIES TRANSACTIONS BY DIRECTORS

Although the Company has not adopted any code of conduct regarding the Directors' securities transactions, it has made specific enquiries with all Directors and all Directors have confirmed that they have complied with all the required standards of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules during the year under review.

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 referencing to the principles, code provisions and recommended best practices set out in the Code on Corporate Governance Practices ("GEM Code") contained in Appendix 15 to 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 shareholders and comply with the GEM Code and the GEM Listing Rules.

Subject to the deviation as disclosed hereof, the Company has complied with all the provisions of the GEM Code during the year under review.

Under provision A.2.1 of the GEM Code, the role of the 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.

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

Hong Kong, 19th March 2014

* *For identification purposes only*

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.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com and on the website of the Company at www.yuxing.com.cn for at least 7 days from the date of its publication.