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# **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)**

## **FINAL SETTLEMENT AGREEMENT**

### **IN RELATION TO THE LITIGATION**

**BETWEEN GUANGDONG JIANLIBAO GROUP COMPANY LIMITED AND**

**BEIJING GOLDEN YUXING ELECTRONICS**

**AND TECHNOLOGY COMPANY LIMITED**

**IN RESPECT OF THE 36.66% EQUITY INTEREST IN**

**GONGBUJIANGDA JIANGNAN INDUSTRIAL DEVELOPMENT CO., LTD.**

**AND OTHER LEGAL PROCEEDINGS AND CLAIMS**

**MAJOR TRANSACTIONS: (1) PROVISION OF A GUARANTEE BY**

**YUXING INFOTECH INVESTMENT HOLDINGS LIMITED TO**

**GUANGDONG JIANLIBAO GROUP COMPANY LIMITED; AND**

**(2) DISPOSAL MANDATE IN RESPECT OF POSSIBLE DISPOSAL OF**

**DIRECT EQUITY INTEREST IN**

**GONGBUJIANGDA JIANGNAN INDUSTRIAL DEVELOPMENT CO., LTD.**

**AND/OR INDIRECT ASSOCIATED ECONOMIC BENEFITS OF**

**THE "A" SHARES OF**

**PING AN INSURANCE (GROUP) COMPANY OF CHINA, LTD.**

**AND**

## **RESUMPTION OF TRADING**

**Financial Adviser to Yuxing InfoTech**

**Investment Holdings Limited**

**ANGLO CHINESE** 英高  
CORPORATE FINANCE, LIMITED

**Anglo Chinese Corporate Finance, Limited**

### **FINAL SETTLEMENT AGREEMENT**

On 30th January 2013, Golden Yuxing and JLB Group entered into the Settlement Agreement with a view to settling the Legal Proceedings.

As disclosed in the First Announcement, as a number of other Parties have been involved in the Legal Proceedings, it is the intention of Golden Yuxing and JLB Group to enter into another settlement agreement with the other involved Parties. On 4th February 2013, Party A (being Golden Yuxing, Yuxing Software, Zhixing Technology and Shenzhen Sheng Bang, which are all wholly-owned subsidiaries of the Company, Beijing Ling Si and Mr. Zhu), Party B (being JLB Group, Sanshui Jianlibao, Zheng Tian Technology and Mr. Ye) and Party C (being Mr. Zhang) entered into the Final Settlement Agreement pursuant to which all the involved Parties agree to terminate the Legal Proceedings and extinguish all existing and possible claims, liabilities, or other rights and obligations that exist between the Parties before the signing of the Final Settlement Agreement. At the same time, the Parties confirm that the acquisition agreement entered into on 10th August 2004 between Golden Yuxing and Sanshui Jianlibao in respect of Golden Yuxing's holding of the indirect associated economic benefits of 51 million Ping An A Shares is legally valid.

The terms of the Final Settlement Agreement are substantially the same as those of the Settlement Agreement. However, according to the terms of the Final Settlement Agreement, if there is any conflict or inconsistency between any term of the Settlement Agreement and that of the Final Settlement Agreement, the term of the Final Settlement Agreement shall prevail.

The Parties further confirmed pursuant to the Final Settlement Agreement, the Settlement Fee of RMB450 million (equivalent to approximately HK\$555.28 million) as agreed between Golden Yuxing and JLB Group under the Settlement Agreement.

As disclosed in the First Announcement, since 2007, Golden Yuxing and JLB Group have engaged in litigating their dispute over the JI Equity Interest and this has consumed significant amount of time and resources of the Group and the Board and diverted the attention of the management of the Company. The Legal Proceedings (including the litigation regarding the dispute over the JI Equity Interest) have resulted in the imposition of the Freezing Order on the Group's indirect associated economic benefits of 51 million Ping An A Shares and its dividend entitlements. The Board therefore believes that the Transactions are the most commercially viable way to resolve the Disputes and terminate the Legal Proceedings in a timely manner, which will be beneficial to the strategic and business development of the Group.

As with the Settlement Agreement, the completion of the Final Settlement Agreement is subject to, amongst other things, obtaining approval from the Shareholders at the SGM. The Company has disclosed in the First Announcement that if the Settlement Agreement completes, in accordance with Hong Kong Accounting Standard 37 "Provisions, Contingent Liabilities and Contingent Assets", the Company will make a provision of RMB450 million (equivalent to approximately HK\$555.28 million) in its accounts for the year ended 31st December 2012. The Company has made a profit warning announcement on 30th January 2013 to draw the attention of the Shareholders to the possible impact that the making of such provision may have on the financial performance of the Group for the year ended 31st December 2012 following completion of the Settlement Agreement. No additional provision in relation to the Settlement Agreements has to be made by the Company as a result of entering into the Final Settlement Agreement.

## **NEW GUARANTEE**

The Parties to the Final Settlement Agreement also agree that the Company shall be required to provide a guarantee to Golden Yuxing in favour of JLB Group in respect of the payment obligations of Golden Yuxing under the two Settlement Agreements. Accordingly, on 4th February 2013, the Company issued the New Guarantee to Golden Yuxing in favour of the JLB Group pursuant to the terms of the Final Settlement Agreement. The New Guarantee substitutes the Guarantee referred to in the First Announcement. The maximum amount of the New Guarantee is RMB450 million (equivalent to approximately HK\$555.28 million) which represents the amount of the Settlement Fee. The terms of the New Guarantee are the same as those of the Guarantee set out in the Settlement Agreement which have been disclosed in the First Announcement.

Upon the full payment of the Settlement Fee, the New Guarantee will be automatically terminated and all the obligations of Golden Yuxing under the two Settlement Agreements shall be discharged and the Company shall no longer be required to provide any form of guarantee. The Parties have further agreed and acknowledged that JLB Group will provide a written confirmation to Golden Yuxing confirming the discharge of all such obligations in this regard.

## **POSSIBLE DISPOSAL**

The Company intends to pay the Settlement Fee through a combination of internally generated resources and proceeds from the Possible Disposal (subject to the release of the Freezing Order in accordance with the terms of the Final Settlement Agreement).

For the purpose of seeking the Shareholders' approval at the SGM, the Company currently contemplates that one of the ways to settle the whole or part of the Settlement Fee is for Golden Yuxing to conduct the Possible Disposal, subject to the terms of the Disposal Mandate.

In relation to the Possible Disposal, although Golden Yuxing is not currently engaged in any discussion with any party to dispose of its holding in any Ping An A Shares nor the JI Equity Interest, if Golden Yuxing subsequently enters into any arrangements to dispose of any Ping An A Shares (whether on-market or off-market) or any part of the JI Equity Interest directly to other potential buyers, the Company may, in the absence of the Disposal Mandate, then be required to comply with the relevant requirements of the GEM Listing Rules including but not limited to issuing an appropriate announcement and if necessary seeking the Shareholders' approval on such arrangements, before any such disposal can be made.

Given the volatility of the stock market, disposing of shares at the best possible price requires prompt disposal actions at the right time and it would not be practicable to seek prior Shareholders' approval for each disposal of Ping An A Shares or JI Equity Interest (whose value is positively correlated to the value of its holding of the Ping An A Shares). To allow flexibility in effecting the Possible Disposal in the future at an appropriate time or times, the Company proposes to seek from the Shareholders the Disposal Mandate subject to the terms as set out in the circular to be issued to the Shareholders in accordance with the requirements of the GEM Listing Rules on or before 28th February 2013. Depending on the then prevailing market conditions, Golden Yuxing may from time to time, in the future, dispose of the Ping An A Shares or its holding in the JI Equity Interest pursuant to the Disposal Mandate.

There is no assurance that Golden Yuxing will proceed with the Possible Disposal after obtaining the Disposal Mandate and prior to the payment of the Settlement Fee in full. Whether and when Golden Yuxing will proceed with the Possible Disposal will depend on a number of factors, including the prevailing market prices and conditions at the relevant time or times.

**The Board wishes to emphasise that the Possible Disposal may or may not proceed and the proposed terms of the Possible Disposal may vary depending on the prevailing conditions and circumstances at the time of the Possible Disposal if and when it proceeds. The Shareholders and potential investors are urged to exercise caution when dealing in the securities of the Company.**

#### **GEM LISTING RULES IMPLICATIONS**

For the purpose of calculating the relevant percentage ratios as defined under Rule 19.07 of the GEM Listing Rules, the maximum exposure of the Company under the New Guarantee is RMB450 million (equivalent to approximately HK\$555.28 million). As the applicable percentage ratios are more than 25% but less than 75%, the New Guarantee constitutes a major transaction for the Company and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

Taking into account the maximum net cash consideration of RMB450 million (equivalent to approximately HK\$555.28 million), excluding taxes and expenses, to be received by the Company in respect of the exercise, in full, of the Disposal Mandate, the exercise of the Disposal Mandate will constitute a major disposal of the Company as the relevant percentage ratios are more than 25% but less than 75% and is therefore subject to reporting, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

As the New Guarantee forms part and parcel of the Transactions for the purpose of terminating the Legal Proceedings and extinguishing all the Claims, a resolution on the two Settlement Agreements and the New Guarantee and conditional on passing of it, a resolution on the Disposal Mandate, will be proposed at the SGM for approval by the Shareholders.

In the event that any future purchaser to the Possible Disposal is a connected person of the Company, the Company will strictly comply with the announcement, reporting and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules before effecting such disposal.

As Mr. Zhu has been joined as a party to some of the Legal Proceedings in his capacity as chairman of the Board, he is naturally joined together with, amongst others, Golden Yuxing as a Party to the Final Settlement Agreement. As at the date of this announcement, Mr. Zhu, the chairman of the Board, is interested in an aggregate of 37.76% of the entire issued share capital of the Company. Although the Company does not consider that Mr. Zhu has a material interest in the Transactions which is different from those of the other Shareholders, as a matter of good corporate governance, Mr. Zhu, has agreed to voluntarily abstain from voting on the resolutions relating to the Transactions at the SGM.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, the counterparties to the two Settlement Agreements and, where applicable, their respective ultimate beneficial owners are Independent Third Parties. As such, the Company is not aware of any person who is required to abstain from voting on the resolutions relating to the Transactions at the SGM except for Mr. Zhu for reasons stated above.

It is expected that a circular containing details of the two Settlement Agreements, the New Guarantee, the Possible Disposal and the Disposal Mandate and the notice of the SGM will be despatched to the Shareholders in accordance with the requirements of the GEM Listing Rules on or before 28th February 2013.

### **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange has been halted with effect from 9:00 a.m. on Monday, 4th February 2013 pending the release of this announcement.

Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on Tuesday, 5th February 2013.

Reference is made to the announcement of the Company dated 30th January 2013 (the “**First Announcement**”) in relation to, inter alia, the Settlement Agreement, the major transactions involving the provision of a Guarantee by the Company to Golden Yuxing in favour of JLB Group and Possible Disposal. Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the First Announcement.

Details of the Legal Proceedings have been disclosed in the “**Background**” section of the First Announcement.

### **FINAL SETTLEMENT AGREEMENT**

On 30th January 2013, Golden Yuxing and JLB Group entered into the Settlement Agreement with a view to settling the Legal Proceedings.

As disclosed in the First Announcement, as a number of other Parties have been involved in the Legal Proceedings, it is the intention of Golden Yuxing and JLB Group to enter into another settlement agreement with the other involved Parties. On 4th February 2013, Golden Yuxing, Yuxing Software, Zhixing Technology and Shenzhen Sheng Bang, all being wholly-owned

subsidiaries of the Company, Beijing Ling Si and Mr. Zhu (collectively “**Party A**”), entered into the settlement agreement (the “**Final Settlement Agreement**”, together with the Settlement Agreement, the “**Settlement Agreements**”) with JLB Group, Sanshui Jianlibao, Zheng Tian Technology and Mr. Ye (collectively “**Party B**”) and Mr. Zhang (“**Party C**”), pursuant to which all the involved Parties agree to terminate the Legal Proceedings and extinguish all existing and possible claims, liabilities, or other rights and obligations that exist between the Parties before the signing of the Final Settlement Agreement (the “**Claims**”). At the same time, the Parties confirm that the acquisition agreement entered into on 10th August 2004 between Golden Yuxing and Sanshui Jianlibao in respect of Golden Yuxing’s holding of the indirect economic benefits of 51 million Ping An A Shares is legally valid.

The terms of the Final Settlement Agreement are substantially the same as those of the Settlement Agreement. However, according to the terms of the Final Settlement Agreement, if there is any conflict or inconsistency between any term of the Settlement Agreement and that of the Final Settlement Agreement, the terms of the Final Settlement Agreement shall prevail.

## **PRINCIPAL TERMS OF THE FINAL SETTLEMENT AGREEMENT**

### **Date**

4th February 2013

### **Parties**

- (i) Party A, being Golden Yuxing, Yuxing Software, Zhixing Technology, Shenzhen Sheng Bang, Beijing Ling Si and Mr. Zhu;
- (ii) Party B, being JLB Group, Sanshui Jianlibao, Zheng Tian Technology and Mr. Ye; and
- (iii) Party C, being Mr. Zhang.

Golden Yuxing, Yuxing Software, Zhixing Technology and Shenzhen Sheng Bang, are all wholly-owned subsidiaries of the Company and Mr. Zhu is the chairman of the Board.

Pursuant to the Final Settlement Agreement, all the Parties have conditionally agreed to settle the Disputes, extinguish all the Claims and resolve the Legal Proceedings subject to payment of the Settlement Fee (as defined below) and other terms and conditions set out in the Final Settlement Agreement.

Regarding the litigation with the case number of 2011 Yue Gao Fa Min Er Zhong Zi No. 33 (2011粵高法民二終字第33號) referred to under the section headed “**Background**” in the First Announcement, Party B has undertaken that upon the full payment of the Settlement Fee by Golden Yuxing pursuant to the terms of the Final Settlement Agreement, it will not make any Claims against 中山市創嘉電子科技發展有限公司 (Zhongshan Chuangjia Electronics Technology and Development Co., Ltd.\*) (“**Zhongshan Chuangjia**”) and Zhongshan Chuangjia will not be required to assume any obligation towards the other Parties. Party A has undertaken that it shall be liable for any losses incurred by Party B as a result of any Claims or actions for recovery initiated by Zhongshan Chuangjia.

## Settlement Fee

The Parties confirmed pursuant to the Final Settlement Agreement the settlement fee of RMB450 million (equivalent to approximately HK\$555.28 million) (the “**Settlement Fee**”) as agreed between Golden Yuxing and JLB Group under the Settlement Agreement.

The Settlement Fee was arrived after arm’s length negotiation amongst the Parties having regard to the value of the JI Equity Interest (and hence the associated economic benefits of 51 million Ping An A Shares) and the amount of time and resources which the Group has spent so far (and may further spend if a settlement is not reached) in dealing with and defending the Claims. In consideration of the payment of the Settlement Fee, the Parties agree to terminate the Legal Proceedings and extinguish all the Claims. At the same time, the Parties confirm that the acquisition agreement entered into on 10th August 2004 between Golden Yuxing and Sanshui Jianlibao in respect of the transfer of the JI Equity Interest is legally valid.

## Payment Terms of the Settlement Fee

On top of the payment terms of the Settlement Fee agreed between Golden Yuxing and JLB Group under the Settlement Agreement, the Parties to the Final Settlement Agreement agree that after the issue of the Civil Mediation Agreement (民事調解書) which will be prepared on the basis of the Final Settlement Agreement by the Guangdong Higher Court, Golden Yuxing’s 29.472% equity interest in JI (and hence the associated economic benefits of 41 million Ping An A Shares) and all its dividend entitlements currently subject to the Freezing Order will be released by Guangdong Higher Court. The remaining 7.188% equity interest in JI (and hence the associated economic benefits of 10 million Ping An A Shares) held by Golden Yuxing will continue to be frozen by Guangdong Higher Court (the future dividend entitlements of such 7.188% equity interest will not be frozen) as a security for Golden Yuxing to pay the Settlement Fee, subject to the provision of the New Guarantee (as defined below) by the Company in favour of JLB Group to make good any shortfall in the Settlement Fee payable by Golden Yuxing.

The Parties further agree that the Settlement Fee shall be paid by Golden Yuxing to JLB Group or its designated entities (which must be duly incorporated and registered in the PRC) in three tranches, as follows:

- (i) the first tranche of RMB150 million shall be paid in the following manner: (a) RMB39.915 million to a designated entity of JLB Group, namely 佛山市三水區公有資產投資管理有限公司 (Foshan City Sanshui District State-owned Assets Investment and Management Company Limited\*) (“**Sanshui SAIMC**”) within six months from 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) (the “**Release Date**”) and (b) the remaining balance of the RMB150 million to JLB Group or its designated entities within six months from the Release Date;

- (ii) the second tranche of RMB150 million shall be paid within twelve months after the Release Date. Further, the Parties agree that upon Guangdong Higher Court's confirmation of the payment of the second tranche of RMB150 million by Golden Yuxing, half of the remaining 7.188% equity interest in JI (and hence the associated economic benefits of 10 million Ping An A Shares) held by Golden Yuxing and subject to the Freezing Order, being 3.594% equity interest in JI (and hence the associated economic benefits of 5 million Ping An A Shares), shall be released from the Freezing Order by the Guangdong Higher Court; and
- (iii) the last tranche of the remaining RMB150 million shall be paid within eighteen months after the Release Date. Further, the Parties agree that upon Guangdong Higher Court's confirmation of the payment of the last tranche of RMB150 million by Golden Yuxing, the remaining 3.594% equity interest in JI (and hence the associated economic benefits of 5 million Ping An A Shares) held by Golden Yuxing and subject to the Freezing Order shall be released from the Freezing Order by the Guangdong Higher Court.

The Parties confirm that upon the receipt of any instalment or the full amount of the Settlement Fee by JLB Group or its designated entities, the payment obligations of Party A in respect of such instalment or full amount of the Settlement Fee shall be discharged. In addition, Party A shall not be involved in the allocation amongst Party B of any amount of the Settlement Fee paid by Golden Yuxing and none of the parties to the Final Settlement Agreement shall pursue any further Claims against Party A in respect of such amount.

In the event that any tranche or the full amount of Settlement Fee is to be paid by Golden Yuxing to designated entities (which must be duly incorporated and registered in the PRC) of JLB Group, JLB Group shall issue a Letter of Payment Order (付款指令函) to Golden Yuxing in advance.

If the trading of the Ping An A Shares is suspended for more than three days consecutively, the date of payment of any outstanding tranche(s) of the Settlement Fee by Golden Yuxing shall be extended accordingly. If the corresponding amount of equity interest in JI and the associated economic benefits of Ping An A Shares are not released from the Freezing Order within 15 days after the payment of any tranche of the Settlement Fee set out above, the date of payment of the outstanding tranche(s) of the Settlement Fee by Golden Yuxing shall also be extended accordingly.

In the meantime, Golden Yuxing may choose to settle each of the three tranches or effect full settlement of the Settlement Fee ahead of the scheduled payment date. In such circumstances and upon the confirmation by JLB Group of receipt of the relevant tranche or full amount of the Settlement Fee, Golden Yuxing will apply to the Guangdong Higher Court for the release of the corresponding amount of equity interest in JI (and hence the associated economic benefits of Ping An A Shares) from the Freezing Order.

Further, each of the Parties has undertaken to the others that upon the payment of the full amount of the Settlement Fee by Golden Yuxing pursuant to the terms of the Final Settlement Agreement, none of its connected persons (as defined in the GEM Listing Rules) will make any Claims against the others in the future.

Prior to the signing of the Final Settlement Agreement, JLB Group shall furnish a Consultation Letter (徵詢函) to Sanshui SAIMC together with a copy of the Final Settlement Agreement and subsequently, JLB Group shall receive a Reply Letter (覆函) to the Consultation Letter from Sanshui SAIMC acknowledging its consent to the contents of the Final Settlement Agreement and the entering into of the Final Settlement Agreement between JLB Group and Golden Yuxing.



## **Completion of the Final Settlement Agreement**

According to the Final Settlement Agreement, the Parties should issue the following documents prior to the execution of the Final Settlement Agreement:

- (i) the board and shareholders resolutions of JLB Group, Sanshui Jianlibao and Zheng Tian Technology and the board resolution of Golden Yuxing approving the entering into of the Final Settlement Agreement;
- (ii) the duly notarised authorisation letter of each representative of Party A and Party B authorising its respective representative to sign the Final Settlement Agreement save that the authorisation letter of Zhixing Technology does not have to be duly notarised. The authorisation letter of Party C authorising its lawyer to sign the Final Settlement Agreement;
- (iii) the Consultation Letter issued by JLB Group and the Reply Letter issued by Sanshui SAIMC; and
- (iv) the provision of the New Guarantee by the Company duly witnessed according to the relevant laws of Hong Kong.

The PRC legal advisors of the Company have confirmed that the above documents were in place at the time of signing the Final Settlement Agreement and the Final Settlement Agreement will be effective on the date of approval by the Shareholders on the resolutions proposed at the SGM. The Settlement Agreements will not be effective if the procedures of Shareholders' approval on the Settlement Agreements could not be completed within three months from the date of signing the Final Settlement Agreement.

The Final Settlement Agreement was signed by the Parties at the Guangdong Higher Court which has the jurisdiction to adjudicate the Disputes. As mentioned above, according to the terms of the Final Settlement Agreement, if there is any conflict or inconsistency between any term of the Settlement Agreement and that of the Final Settlement Agreement, the term of the Final Settlement Agreement shall prevail. In addition, after the Final Settlement Agreement completes, the Guangdong Higher Court will issue the Civil Mediation Agreement (民事調解書) on the basis of the Final Settlement Agreement.

## **NEW GUARANTEE**

The Parties to the Final Settlement Agreement also agree that the Company shall be required to provide a guarantee to Golden Yuxing in favour of JLB Group in respect of the payment obligations of Golden Yuxing under the two Settlement Agreements. Accordingly, on 4th February 2013, the Company issued a new guarantee to Golden Yuxing in favour of the JLB Group pursuant to the terms of the Final Settlement Agreement (the "**New Guarantee**"). The New Guarantee substitutes the Guarantee referred to in the First Announcement. The maximum amount of the New Guarantee is RMB450 million (equivalent to approximately HK\$555.28 million) which represents the amount of the Settlement Fee. The terms of the New Guarantee are the same as those of the Guarantee set out in the Settlement Agreement which have been disclosed in the First Announcement.

Upon the full payment of the Settlement Fee, the New Guarantee will be automatically terminated and all the obligations of Golden Yuxing under the two Settlement Agreements would have been discharged and the Company is no longer required to provide any form of guarantee. The Parties have further agreed and acknowledged that JLB Group will provide a written confirmation to Golden Yuxing confirming the discharge of all such obligations in this regard.

## **POSSIBLE DISPOSAL**

The Company intends to pay the Settlement Fee through a combination of internally generated resources and proceeds from the Possible Disposal (subject to the release of the Freezing Order in accordance with the terms of the Final Settlement Agreement).

For the purpose of seeking the Shareholders' approval at the SGM, the Company currently contemplates that one of the ways to settle the whole or part of the Settlement Fee is for Golden Yuxing to conduct the Possible Disposal, subject to the terms of the specific mandate to be granted by the Shareholders to the Directors to effect the Possible Disposal (the "**Disposal Mandate**"). If and when Golden Yuxing effects the Possible Disposal, it will only dispose of JI Equity Interest or the Company's indirect associated economic interest in Ping An A Shares for an aggregate consideration (excluding taxes and expenses) of not exceeding RMB450 million (equivalent to approximately HK\$555.28 million). The selling price(s) of Ping An A Shares or the corresponding portion of the JI Equity Interest to be disposed will be determined with reference to the prevailing market conditions at the time of the Possible Disposal.

For illustrative purposes only, based on the closing price of RMB51.49 per Ping An A Share as at the date of this announcement and the maximum net proceeds from the Possible Disposal (excluding taxes and expenses) of RMB450 million (equivalent to approximately HK\$555.28 million), the maximum number of Ping An A Shares to be disposed under the Possible Disposal would be approximately 8,739,561 shares. As the JI Equity Interest is classified as interest in a jointly controlled entity in the books of the Company and the equity interest in Ping An A Shares is classified as available-for-sale financial assets in the books of JI under generally accepted accounting principles in Hong Kong, all changes in fair value of Ping An A Shares shall be recognised in other comprehensive income of the Company, except for impairment loss and foreign exchange gains and losses, until the equity interest in Ping An A Shares is derecognised. At that time, all cumulative gains/losses arising from the Ping An A Shares previously recognised in other comprehensive income of the Company shall be reclassified from equity to profit or loss of the Company as a reclassification adjustment.

The Company would like to clarify the accounting treatment of the Group's equity interest in JI after the Possible Disposal as disclosed in the First Announcement. Subject to, amongst other things, the agreement(s) between the then shareholders of JI and the prevailing accounting standards after completion of the Possible Disposal, the Group's equity interest in JI may or may not continue to be accounted for as "interest in a jointly controlled entity" in the consolidated accounts of the Group.

In relation to the Possible Disposal, although Golden Yuxing is not currently engaged in any discussion with any party to dispose of its holding in any Ping An A Shares nor the JI Equity Interest, if Golden Yuxing subsequently enters into any arrangements to dispose of any Ping An A Shares (whether on-market or off-market) or any part of the JI Equity Interest directly to other potential buyers, the Company may, in the absence of the Disposal Mandate, then be required to comply with the relevant requirements of the GEM Listing Rules including but not limited to issuing an appropriate announcement and if necessary seeking the Shareholders' approval on such arrangements, before any such disposal can be made.

Given the volatility of the stock market, disposing of shares at the best possible price requires prompt disposal actions at the right time and it would not be practicable to seek prior Shareholders' approval for each disposal of Ping An A Shares or JI Equity Interest (which value is correlated to the value of its holding the Ping An A Shares). To allow flexibility in effecting the Possible Disposal in the future at an appropriate time or times, the Company proposes to seek from the Shareholders the Disposal Mandate subject to the terms as set out in the circular to be issued to the Shareholders in accordance with the requirements of the GEM Listing Rules on or before 28th February 2013. Depending on the then prevailing market conditions, Golden Yuxing may from time to time, in the future, dispose of the Ping An A Shares through JI or its holding in the JI Equity Interest pursuant to the Disposal Mandate. Whether the Company eventually chooses to dispose part of the Company's indirect associated economic interest in Ping An A Shares through JI or a corresponding portion of the JI Equity Interest directly to potential buyers, it will strictly comply with the relevant provisions of the Bilateral Agreement referred to in the First Announcement.

There is no assurance that Golden Yuxing will proceed with the Possible Disposal after obtaining the Disposal Mandate and prior to the payment of the Settlement Fee in full. Whether and when Golden Yuxing will proceed with the Possible Disposal will depend on a number of factors, including the prevailing market prices and conditions at the relevant time or times.

It is expected that the purchasers of Golden Yuxing's holding of equity interest in JI or its indirect holding the Ping An A Shares and their respective ultimate beneficial owners will be Independent Third Parties. In the event that any purchaser of Golden Yuxing's indirect holding of Ping An A Shares is a connected person of the Company, the Company will strictly comply with the announcement, reporting and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

As at the date of this announcement, the Board has not determined the proportions of internally generated resources and the amount of proceeds to be generated from the Possible Disposal for the payment of the Settlement Fee, which will depend on, amongst other things, the business development plans of the Group and the market conditions at the time of the Possible Disposal.

Based on generally accepted accounting principles in the PRC, for the two years ended 31st December 2011 and 2012, JI recorded (1) profits before taxation and extraordinary items of approximately RMB77.77 million and RMB54.42 million respectively and (2) profits after taxation and extraordinary items of approximately RMB77.59 million and RMB54.05 million respectively.

For the year ended 31st December 2011, the Group recorded dividend income of approximately HK\$33.8 million from its indirect investment in the 51 million Ping An A shares through JI. For the year ended 31st December 2012, the Group recorded share of results of JI of approximately HK\$23.7 million.

**The Board wishes to emphasise that the Possible Disposal may or may not proceed and the proposed terms of the Possible Disposal may vary depending on the prevailing conditions and circumstances at the time of the Possible Disposal if and when it proceeds. The Shareholders and potential investors are urged to exercise caution when dealing in the securities of the Company.**

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE TRANSACTIONS**

As disclosed in the First Announcement, since 2007, Golden Yuxing and JLB Group have engaged in litigating their dispute over the JI Equity Interest and this has consumed significant amount of time and resources of the Group and the Board and diverted the attention of the management of the Company. The Legal Proceedings (including the litigation regarding the dispute over the JI Equity Interest) have resulted in the imposition of the Freezing Order on the Group's indirect associated economic benefits of 51 million Ping An A Shares and its dividend entitlements.

On 23rd December 2008, the Guangdong Higher Court rejected the claim made by JLB Group against Golden Yuxing over the JI Equity Interest. On 25th June 2009, Golden Yuxing was notified by the Highest People's Court of the PRC that an appeal has been lodged by the JLB Group. Based on the ruling dated 20th November 2009 of the Supreme People's Court of the PRC, amongst other things, the case was returned to the Guangdong Higher Court for rehearing. The Board therefore considers that the continuation of the Legal Proceedings and the enforcement of the Freezing Order will have a material impact on the assets and operations of the Company. Subject to the approval of the Shareholders, the Board believes that the entering into the Settlement Agreements and the payment of the Settlement Fee following the issue of the Civil Mediation Agreement (民事調解書) on the basis of the Final Settlement Agreement by the Guangdong Higher Court will generate the following benefits to the Group:

1. the settlement of the litigation between Golden Yuxing and JLB Group in respect of the dispute over JI Equity Interest, which has been protracted for over 5 years, ensures that the Group's indirect associated economic benefits of 51 million Ping An A Shares are legally protected and no longer subject to the Disputes;
2. pursuant to the Settlement Agreements, all the Claims arising from the other Legal Proceedings brought against the Group by the other relevant Parties are extinguished and the Company is no longer legally obligated to compensate these Parties including JLB Group by any other means;
3. under the Settlement Agreements, each of Golden Yuxing and JLB Group undertakes to the other that any of its connected persons (as defined in the GEM Listing Rules) will not make any Claims against the other in future. This relieves the Group from the burden of continuing to defend the Legal Proceedings and represents a significant step for the Group to carry out its long term business strategies;
4. 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) and all its dividend entitlements associated with the 51 million Ping An A Shares from the Freezing Order will provide ample capital and financial support for the Group to develop its principal and other relevant businesses. After the payment of the Settlement Fee, the remaining 10 million Ping An A Shares subject to the Freezing Order will also be released from the Freezing Order; and
5. the termination of the Legal Proceedings is expected to enable the Group to save significant legal costs.

In the circumstances, the Board believes that the entering into the two Settlement Agreements, the provision of the New Guarantee by the Company in favour of JLB Group and in due course, the Possible Disposal (collectively the “**Transactions**”) are the most commercially viable way to resolve the Disputes and terminate the Legal Proceedings in a timely manner, which will be beneficial to the strategic and business growth of the Group.

As at 30th June 2012, the unaudited balance of the Group’s cash and cash equivalents stood at approximately HK\$123.9 million. As shown in the quarterly report of the Group for the nine months ended 30th September 2012, the Group has continued to demonstrate profitable business operations with significant improvement in its turnover due to the satisfactory performance of the Group’s information home appliances segment in the PRC and overseas markets during the period. The Group will continue to implement suitable strategies to grow its existing business and explore suitable expansion opportunities. The Board therefore considers that it is important to conserve a reasonable level of cash for the purpose of the Group’s continued development.

It is the intention of the Board that upon the gradual release of the JI Equity Interest from the Freezing Order pursuant to the terms of the Final Settlement Agreement, the Company will engage in the Possible Disposal to realise sufficient cash for the purposes of settling the Settlement Fee and if surplus cash from the Possible Disposal is available, for future business development. It also intends to continue to hold the remaining Ping An A Shares through JI following the Possible Disposal, the associated economic benefit of which to the Group is believed to be significant, for investment purpose as this will enhance Shareholders’ value and broaden the asset base of the Group.

In view of the above, Directors (including the independent non-executive Directors) believe that the terms of the Transactions including the entering into the two Settlement Agreements, the provision of the New Guarantee by the Company in favour of JLB Group and the Possible Disposal are fair and reasonable and in the best interests of the Company and its Shareholders as a whole.

The Company will regularly update the Shareholders regarding, amongst other things, the payment status of the Settlement Fee in accordance with the terms of the Final Settlement Agreement and the progress of the Possible Disposal.

As with the Settlement Agreement, the completion of the Final Settlement Agreement is subject to, amongst other things, obtaining approval from the Shareholders at the SGM. The Company has disclosed in the First Announcement that if the Settlement Agreement completes, in accordance with Hong Kong Accounting Standard 37 “Provisions, Contingent Liabilities and Contingent Assets”, the Company will make a provision of RMB450 million (equivalent to approximately HK\$555.28 million) in its accounts for the year ended 31st December 2012. The Company has made a profit warning announcement on 30th January 2013 to draw the attention of the Shareholders to the possible impact that the making of such provision may have on the financial performance of the Group for the year ended 31st December 2012 following completion of the Settlement Agreement. No additional provision in relation to the Settlement Agreements has to be made by the Company as a result of entering into the Final Settlement Agreement.

## **INFORMATION ABOUT THE COMPANY, GOLDEN YUXING, JI, JLB GROUP AND PING AN INSURANCE (GROUP) COMPANY OF CHINA, LTD.**

The Company is an investment holding company with subsidiaries that are principally engaged in research and development, design, manufacturing, marketing and sale of information home appliances (mainly set-top boxes) through a network of partnerships and distributors in the PRC, Hong Kong and overseas.

Golden Yuxing, a sino-foreign co-operative joint venture and a wholly-owned subsidiary of the Company, is principally engaged in research and development, design, marketing, distribution and sales of information home appliances (mainly set-top boxes) in the PRC.

JI is a company established as a domestic enterprise in the PRC with principal assets of 139,112,886 Ping An A Shares. The Company, through Golden Yuxing, has an equity interest of 36.66% in JI (and the associated economic benefits of the corresponding 51 million Ping An A Shares).

JLB Group is a major beverage producer and seller in the PRC and an Independent Third Party.

Ping An Insurance (Group) Company of China, Ltd., a joint stock limited company incorporated in the PRC with limited liability, is one of the leading integrated financial services groups in the PRC. Save for the Company indirect holding of the 51 million Ping An A Shares, Ping An Insurance (Group) Company of China, Ltd. is an Independent Third Party.

## **GEM LISTING RULES IMPLICATIONS**

For the purpose of calculating the relevant percentage ratios as defined under Rule 19.07 of the GEM Listing Rules, the maximum exposure of the Company under the New Guarantee is RMB450 million (equivalent to approximately HK\$555.28 million). As the applicable percentage ratios are more than 25% but less than 75%, the New Guarantee constitutes a major transaction for the Company and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

Taking into account the maximum net cash consideration of RMB450 million (equivalent to approximately HK\$555.28 million), excluding taxes and expenses, to be received by the Company in respect of the exercise, in full, of the Disposal Mandate, the exercise of the Disposal Mandate will constitute a major disposal of the Company as the relevant percentage ratios are more than 25% but less than 75% and is therefore subject to reporting, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

As the New Guarantee forms part and parcel of the Transactions for the purpose of terminating the Legal Proceedings and extinguishing all the Claims, a resolution on the two Settlement Agreements and the New Guarantee and conditional on passing of it, a resolution on the Disposal Mandate, will be proposed at the SGM for approval by the Shareholders.

In the event that any future purchaser to the Possible Disposal is a connected person of the Company, the Company will strictly comply with the announcement, reporting and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules before effecting such disposal.

As Mr. Zhu has been joined as a party to some of the Legal Proceedings in his capacity as chairman of the Board, he is naturally joined together with, amongst others, Golden Yuxing as a Party to the Final Settlement Agreement. As at the date of this announcement, Mr. Zhu, the chairman of the Board, is interested in an aggregate of 37.76% of the entire issued share capital of the Company. Although the Company does not consider that Mr. Zhu has a material interest in the Transactions which is different from those of the other Shareholders, as a matter of good corporate governance, Mr. Zhu, has agreed to voluntarily abstain from voting on the resolutions relating to the Transactions at the SGM.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, the counterparties to the two Settlement Agreements and, where applicable, their respective ultimate beneficial owners are Independent Third Parties. As such, the Company is not aware of any person who is required to abstain from voting on the resolutions relating to the Transactions at the SGM except for Mr. Zhu for reasons stated above.

It is expected that a circular containing details of the two Settlement Agreements, the New Guarantee, the Possible Disposal and the Disposal Mandate and the notice of the SGM will be despatched to the Shareholders in accordance with the requirements of the GEM Listing Rules on or before 28th February 2013.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange has been halted with effect from 9:00 a.m. on Monday, 4th February 2013 pending the release of this announcement.

Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on Tuesday, 5th February 2013.

For the purpose of this announcement, translations of RMB into HK\$ are made for illustration purpose only at the exchange rate of RMB0.8104 to HK\$1.00.

\* *For identification purpose only*

By order of the Board  
**Yuxing InfoTech Investment Holdings Limited**  
**CHEN Fu Rong**  
*Deputy Chairman*

Hong Kong, 4th February 2013

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

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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.*

*This announcement will remain on the “**Latest Company Announcements**” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its publication and on the website of the Company at [www.yuxing.com.cn](http://www.yuxing.com.cn).*