



YUXING INFOTECH INVESTMENT HOLDINGS LIMITED

裕興科技投資控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8005)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30TH SEPTEMBER 2015

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This announcement, for which the directors of Yuxing InfoTech Investment Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors of the Company (the “Directors”), having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this 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 in this announcement misleading.



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HIGHLIGHTS FOR THE NINE-MONTH PERIOD

- For the nine months and three months ended 30th September 2015, overall turnover of the Group was approximately HK\$445.3 million and HK\$182.8 million respectively, representing an increase of 16.3% and 64.6% respectively in comparison to the corresponding periods in 2014.
- For the nine months and three months ended 30th September 2015, overall gross profit of the Group increased by 91.8% and 302.6% respectively to approximately HK\$74.3 million and HK\$33.1 million as compared with the corresponding periods of last year.
- Loss attributable to owners of the parent for the nine months and three months ended 30th September 2015 amounted to approximately HK\$246.1 million and HK\$438.4 million respectively (nine months and three months ended 30th September 2014: loss attributable to owners of the parent of approximately HK\$193.9 million and profit attributable to owners of the parent of approximately HK\$47.5 million respectively). The loss for the nine months ended 30th September 2015 mainly resulted from the following factors: (1) the Group recognised the non-cash expenses of totaling approximately HK\$128.1 million arising from the grant of share options and share awards by the Company to employees during the period under review (nine months ended 30th September 2014: HK\$Nil); (2) an exchange loss of approximately HK\$57.8 million due to the central parity rates of RMB against Hong Kong dollar and other currencies experienced significant changes as a result of the reform of the RMB exchange rate quotation regime (nine months ended 30th September 2014: HK\$18.1 million); and (3) the poor performance of investments portfolio of the Group amid the adverse capital market conditions during the three months ended 30th September 2015, resulting in the Group only recorded the net gains on financial assets at fair value through profit or loss of approximately HK\$40.2 million for the Period (nine months ended 30th September 2014: approximately HK\$100.1 million).
- Basic loss per share for the nine months and three months ended 30th September 2015 were HK13.70 cents and HK24.35 cents respectively.
- Total equity attributable to owners of the parent as at 30th September 2015 was approximately HK\$2,009.1 million (31st December 2014: approximately HK\$2,315.9 million) or net assets per share of HK\$1.1 (31st December 2014: HK\$1.3).
- The Board does not recommend the payment of any interim dividend for the nine months ended 30th September 2015 (nine months ended 30th September 2014: Nil).

NINE-MONTH RESULTS (UNAUDITED)

The board of Directors of the Company (the “Board”) is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the nine months and three months ended 30th September 2015 together with the comparative unaudited figures for the corresponding periods in 2014, prepared in accordance with generally accepted accounting principles in Hong Kong, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the nine months and three months ended 30th September 2015

		For the nine months ended 30th September		For the three months ended 30th September	
		2015	2014	2015	2014
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2	445,317	382,757	182,837	111,060
Cost of sales		<u>(371,060)</u>	<u>(344,042)</u>	<u>(149,729)</u>	<u>(102,836)</u>
Gross profit		74,257	38,715	33,108	8,224
Other revenue and net income/(loss)	3	61,085	130,953	(353,003)	63,637
Distribution and selling expenses		(11,370)	(10,260)	(4,422)	(4,115)
General and administrative expenses		(273,043)	(58,636)	(56,693)	(20,676)
Other operating expenses		(67,004)	(27,487)	(48,491)	(450)
Fair value gain on investment properties		1,100	200	–	–
Change in fair value of derivative financial instruments		<u>–</u>	<u>(261,217)</u>	<u>–</u>	<u>–</u>
(Loss)/Profit from operations		(214,975)	(187,732)	(429,501)	46,620
Finance costs		(32,604)	(4,817)	(12,458)	(624)
Share of results of an associate		<u>(520)</u>	<u>–</u>	<u>–</u>	<u>–</u>
(Loss)/Profit before taxation		(248,099)	(192,549)	(441,959)	45,996
Taxation	4	<u>(2,942)</u>	<u>(1,787)</u>	<u>22</u>	<u>(45)</u>
(Loss)/Profit for the period		<u><u>(251,041)</u></u>	<u><u>(194,336)</u></u>	<u><u>(441,937)</u></u>	<u><u>45,951</u></u>
(Loss)/Profit attributable to:					
Owners of the parent		(246,092)	(193,894)	(438,359)	47,463
Non-controlling interests		<u>(4,949)</u>	<u>(442)</u>	<u>(3,578)</u>	<u>(1,512)</u>
		<u><u>(251,041)</u></u>	<u><u>(194,336)</u></u>	<u><u>(441,937)</u></u>	<u><u>45,951</u></u>
(Loss)/Earnings per share	6				
– Basic		<u><u>(13.70) cents</u></u>	<u><u>(10.82) cents</u></u>	<u><u>(24.35) cents</u></u>	<u><u>2.65 cents</u></u>
– Diluted		<u><u>(13.70) cents</u></u>	<u><u>(10.82) cents</u></u>	<u><u>(24.35) cents</u></u>	<u><u>2.65 cents</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)**

For the nine months and three months ended 30th September 2015

	For the nine months ended 30th September		For the three months ended 30th September	
	2015	2014	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/Profit for the period	(251,041)	(194,336)	(441,937)	45,951
Other comprehensive (loss)/income				
Items that may be reclassified subsequently to profit or loss:				
Change in fair value of available-for-sale financial assets	(113,566)	73,135	(201,329)	33,865
Exchange differences arising on translation of PRC subsidiaries	(15,701)	(2,178)	(15,688)	482
Other comprehensive (loss)/income for the period	(129,267)	70,957	(217,017)	34,347
Total comprehensive (loss)/income for the period	<u>(380,308)</u>	<u>(123,379)</u>	<u>(658,954)</u>	<u>80,298</u>
Total comprehensive (loss)/income attributable to:				
Owners of the parent	(375,359)	(122,937)	(655,376)	81,810
Non-controlling interests	(4,949)	(442)	(3,578)	(1,512)
	<u>(380,308)</u>	<u>(123,379)</u>	<u>(658,954)</u>	<u>80,298</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 30th September 2015

	Attributable to owners of the parent															Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Shares held for share award scheme HK\$'000	Statutory reserves HK\$'000	Contributed surplus HK\$'000	Share-based compensation reserves HK\$'000	Share option reserves HK\$'000	Investment revaluation reserves HK\$'000	Convertible bond reserves HK\$'000	Property revaluation reserves HK\$'000	Translation reserves HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Sub total HK\$'000	Non-controlling interests HK\$'000	
As at 1st January 2015	44,803	57,265	(28,459)	8,668	234,621	-	-	242,950	-	16,023	78,393	(1,113)	1,662,757	2,315,908	10,786	2,326,694
Loss for the period	-	-	-	-	-	-	-	-	-	-	-	-	(246,092)	(246,092)	(4,949)	(251,041)
Other comprehensive loss:																
Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-	(113,566)	-	-	-	-	-	(113,566)	-	(113,566)
Exchange differences arising on translation of PRC subsidiaries	-	-	-	-	-	-	-	-	-	-	(15,701)	-	-	(15,701)	-	(15,701)
Total other comprehensive loss	-	-	-	-	-	-	-	(113,566)	-	-	(15,701)	-	-	(129,267)	-	(129,267)
Total comprehensive loss for the period	-	-	-	-	-	-	-	(113,566)	-	-	(15,701)	-	(246,092)	(375,359)	(4,949)	(380,308)
Transactions with owners:																
<i>Contributions and distributions</i>																
Final dividend paid in respect of the financial year ended 31st December 2014	-	-	-	-	-	-	-	-	-	-	-	-	(89,233)	(89,233)	-	(89,233)
Issue of shares under share option scheme	233	24,232	-	-	-	-	(3,978)	-	-	-	-	-	-	20,487	-	20,487
Shares purchased for share award scheme	-	-	(436)	-	-	-	-	-	-	-	-	-	-	(436)	-	(436)
Equity-settled share based payment	-	-	-	-	-	73,068	55,079	-	-	-	-	-	-	128,147	-	128,147
Vesting of shares of share award scheme	-	34,193	21,481	-	-	(55,674)	-	-	-	-	-	-	-	-	-	-
Issue of convertible bonds	-	-	-	-	-	-	-	9,558	-	-	-	-	-	9,558	-	9,558
Total transactions with owners	233	58,425	21,045	-	-	17,394	51,101	-	9,558	-	-	-	(89,233)	68,523	-	68,523
As at 30th September 2015	45,036	115,690	(7,414)	8,668	234,621	17,394	51,101	129,384	9,558	16,023	62,692	(1,113)	1,327,432	2,009,072	5,837	2,014,909
As at 1st January 2014	44,803	57,265	-	8,668	234,621	-	-	-	-	-	79,364	(1,113)	1,721,351	2,144,959	11,106	2,156,065
Loss for the period	-	-	-	-	-	-	-	-	-	-	-	-	(193,894)	(193,894)	(442)	(194,336)
Other comprehensive income:																
Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-	73,135	-	-	-	-	-	73,135	-	73,135
Exchange differences arising on translation of PRC subsidiaries	-	-	-	-	-	-	-	-	-	-	(2,178)	-	-	(2,178)	-	(2,178)
Total other comprehensive income	-	-	-	-	-	-	-	73,135	-	-	(2,178)	-	-	70,957	-	70,957
Total comprehensive loss for the period	-	-	-	-	-	-	-	73,135	-	-	(2,178)	-	(193,894)	(122,937)	(442)	(123,379)
Transactions with owners:																
<i>Contributions and distributions</i>																
Final dividend paid in respect of the financial year ended 31st December 2013	-	-	-	-	-	-	-	-	-	-	-	-	(89,606)	(89,606)	-	(89,606)
Total transactions with owners	-	-	-	-	-	-	-	-	-	-	-	-	(89,606)	(89,606)	-	(89,606)
As at 30th September 2014	44,803	57,265	-	8,668	234,621	-	-	73,135	-	-	77,186	(1,113)	1,437,851	1,932,416	10,664	1,943,080

Notes:

1 **Basis of preparation**

The Group's unaudited condensed consolidated financial statements for the nine months ended 30th September 2015 have been prepared in accordance with the Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants and with applicable disclosure provisions of the Rules Governing The Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. These condensed consolidated financial statements are unaudited but have been reviewed by the Company's audit committee.

These unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31st December 2014. They have been prepared on the historical cost basis, except for investment properties, financial assets/liabilities at fair value through profit or loss and available-for-sales financial assets, which are measured at fair value.

The accounting policies used in preparing these unaudited condensed consolidated financial statements are consistent with those used in the Group's audited consolidated financial statements for the year ended 31st December 2014 except for the adoption of the new/revised Hong Kong Financial Reporting Standards ("HKFRSs"). The adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current period had no significant effects on the results and financial position of the Group for the current and prior periods.

2 **Turnover**

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

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

3 **Other revenue and net income/(loss)**

	For the nine months ended 30th September		For the three months ended 30th September	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Other revenue				
Dividend income from listed securities	6,119	20,133	5,347	7,154
Interest income from bank deposits	6,475	4,752	1,942	903
Rental income from investment properties	1,350	1,112	450	416
Rental income from buildings	4,329	3,454	1,435	1,303
Sundry income	2,616	1,432	2,079	772
	<u>20,889</u>	<u>30,883</u>	<u>11,253</u>	<u>10,548</u>
Other net income/(loss)				
Net unrealised (loss)/gain on financial assets at fair value through profit or loss				
– held for trading	(118,774)	28,123	(210,175)	23,198
Gain/(Loss) on disposal of financial assets at fair value through profit or loss				
– held for trading	137,278	70,467	(154,179)	29,487
– designated upon initial recognition	10,289	1,480	98	404
Net gain on change in fair value of derivative financial instruments	11,403	–	–	–
	<u>40,196</u>	<u>100,070</u>	<u>(364,256)</u>	<u>53,089</u>
	<u><u>61,085</u></u>	<u><u>130,953</u></u>	<u><u>(353,003)</u></u>	<u><u>63,637</u></u>

4 Taxation

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

	For the nine months ended 30th September		For the three months ended 30th September	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
PRC enterprise income tax	<u>2,942</u>	<u>1,787</u>	<u>(22)</u>	<u>45</u>

The income tax provision in respect of operations in the PRC is calculated at the applicable tax rate of 25% on the estimated assessable profits for the nine months and three months ended 30th September 2015 and 2014 based on existing legislation, interpretations and practices in respect thereof. Two operating subsidiaries (nine months and three months ended 30th September 2014: two) of the Company have been officially designated by the local tax authority as “New and High Technology Enterprise” and another one operating subsidiary (nine months and three months ended 30th September 2014: one) of the Company has been officially designated by the local tax authority as “Participant of Development in Western China” and which is exempted the local tax from a part of PRC enterprise income tax starting from 1st January 2015 to 31st December 2017 for the nine months and three months ended 30th September 2015. As a result, the preferential tax rate for these subsidiaries are 15% and 9% respectively (nine months and three months ended 30th September 2014: 15% and 15% respectively) for the nine months and three months ended 30th September 2015.

No Hong Kong Profits Tax has been provided for the nine months and three months ended 30th September 2015 and 2014 as the Group did not have any assessable profit from Hong Kong for both periods.

5 Dividends

The Board does not recommend the payment of any interim dividend for the nine months ended 30th September 2015 (nine months ended 30th September 2014: Nil).

On 20th March 2015, the Board proposed the payment of a final dividend of HK\$0.05 per share in respect of the financial year ended 31st December 2014 (2013: HK\$0.05 per share). The proposed final dividend of approximately HK\$89,233,000 (2013: approximately HK\$89,606,000) was approved by the Company’s shareholders at the Company’s annual general meeting on 15th May 2015, after deducting the final dividend for shares held for share award scheme of approximately HK\$456,000 (2013: HK\$Nil) and was distributed on 12th June 2015.

6 (Loss)/Earnings per share

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

	For the nine months ended 30th September		For the three months ended 30th September	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
(Loss)/Profit attributable to owners of the parent	<u>(246,092)</u>	<u>(193,894)</u>	<u>(438,359)</u>	<u>47,463</u>

	For the nine months ended		For the three months ended	
	30th September		30th September	
	2015	2014	2015	2014
	'000	'000	'000	'000
Issued ordinary shares at 1st January	1,792,117	1,792,117	–	–
Issued ordinary shares at 1st July	–	–	1,797,627	1,792,117
Effect of share options exercised	<u>3,653</u>	–	<u>2,692</u>	–
Weighted average number of ordinary shares for basic (loss)/earnings per share	1,795,770	1,792,117	1,800,319	1,792,117
Effect of dilutive potential ordinary shares:				
Exercise of share options	N/A	N/A	N/A	N/A
Conversion of Convertible Bonds	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Weighted average number of ordinary shares for diluted (loss)/earnings per share	<u>1,795,770</u>	<u>1,792,117</u>	<u>1,800,319</u>	<u>1,792,117</u>
(Loss)/Earnings per share:				
– Basic	<u>(13.70) cents</u>	<u>(10.82) cents</u>	<u>(24.35) cents</u>	<u>2.65 cents</u>
– Diluted (<i>Note</i>)	<u>(13.70) cents</u>	<u>(10.82) cents</u>	<u>(24.35) cents</u>	<u>2.65 cents</u>

Note:

Diluted loss per share is the same as the basic loss per share for the nine months and three months ended 30th September 2015 because the potential ordinary shares arising from the outstanding share options under the Company's share option scheme and the conversion of convertible bonds outstanding had an anti-dilutive effect on the basic loss per share during the period.

Diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share for the nine months and three months ended 30th September 2014 because there was no potential dilutive share outstanding during the period.

RESERVES

Movements in the reserves of the Group for the nine months ended 30th September 2015 (the “Period”) are set out in the unaudited condensed consolidated statement of changes in equity of the financial statements.

DIVIDENDS

The Board does not recommend the payment of any interim dividend for the Period (nine months ended 30th September 2014: Nil).

FINANCIAL AND BUSINESS REVIEW

After over ten years of development and under the steady growth of the global Internet Protocol Television (“IPTV”) market, the Group’s IPTV set-top boxes (“STB”) business has entered into a period of market maturity. However, under the intense market competition condition, the Group is facing many opportunities as well as confronting severe challenges. With the accumulation of technological expertise over the years and own intermediary software platform, the Group could meet needs of different customers, finish the work of integrating with termination systems and customizing end products. Products launched by the Group in the markets 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, etc. During the period under review, due to the weakened order procurement sentiment of a PRC customer and fierce market competition, there was a significant decrease of turnover of the Group in the PRC market. However, sales in Australia for the Period increased significantly by 237.0% to approximately HK\$264.1 million, which contributed a higher gross profit margin to the Group. Consequently, the Group’s overall turnover increased by 16.3% and 64.6% to approximately HK\$445.3 million and HK\$182.8 million respectively for the Period and the three months ended 30th September 2015 in comparison to the corresponding periods in 2014. While the overall gross profit increased by 91.8% and 302.6% to approximately HK\$74.3 million and HK\$33.1 million respectively for the Period and the three months ended 30th September 2015 as compared with the same periods of last year. The gross profit margin also reached 16.7% and 18.1% for the Period and the three months ended 30th September 2015 respectively (nine months and three months ended 30th September 2014: 10.1% and 7.4% respectively).

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 Hubei Province, Sichuan Province, Liaoning Province, Anhui Province, Jilin Province, Jiangsu Province and Tianjin Municipalities, etc. However, due to the weakened order procurement sentiment of this PRC customer during the period under review and further market competition, both the sales quantity and selling price of STB in the PRC decreased as compared with the same period of last year. Therefore, the turnover of the Group in the PRC market for the Period decreased by 39.5% to approximately HK\$148.0 million as compared with the same period of last year.

In the overseas market, the Group continues to maintain good cooperation relationship with various existing telecom operators and system integration suppliers. The Group has managed to forward continuous shipments of its products to customers in Australia, Russia and Czechoslovakia, etc. The Group has currently developed some new cooperation partners in Africa, United Kingdom, Germany and Denmark, etc. During the period under review, the Group had a cooperation with an Australian customer to develop the STB which incorporated a service of Internet Pay-per-view (“IPPV”) television program provided by Netflix, Inc. (an American Internet streaming media service provider, “Netflix”). This was the first IPTV STB with Netflix IPPV television program subscription service in the Australian market, which provided enough motive power for the strong growth on the Australian business in the third quarter of 2015. Although purchase orders from a few overseas customers have significantly dropped during the period under review, sales in Australia for the Period significantly increased by 237.0% to approximately HK\$264.1 million as compared with the same period of last year. Consequently, overall overseas turnover increased significantly by 147.2% to approximately HK\$271.4 million for the Period as compared with the same period of last year.

As one of the leading suppliers of IPTV STB in Hong Kong, even though the Group still maintains great cooperation relationship with a Hong Kong telecommunication operator in its marketing activities, the Group’s turnover in Hong Kong market decreased by 8.8% to approximately HK\$25.9 million for the Period as compared with the same period of last year.

With the increase of the Group’s overall turnover, the Group’s overall selling expenses for the Period increased by 10.8% to approximately HK\$11.4 million as compared with the same period of last year. This was mainly due to the exploration of the overseas markets during the period under review. At the same time, the Group’s general and administrative expenses increased significantly to approximately HK\$273.0 million for the Period as compared with the corresponding period in 2014. This increase in general and administrative expenses for the Period was mainly due to (1) the non-cash expenses of totaling approximately HK\$128.1 million (nine months ended 30th September 2014: HK\$Nil) arising from the grant of share options and share awards by the Company to employees; and (2) the adjustment to salaries and benefits and the distribution of discretionary bonuses to both the Directors and employees of the Group upon the recognition of gains from the disposal of financial assets at fair value through profit or loss during the first half of this year of totaling approximately HK\$76.2 million (nine months ended 30th September 2014: HK\$Nil). Moreover, imputed interest expenses of approximately HK\$24.9 million was recorded for the Period (nine months ended 30th September 2014: HK\$Nil) in respect of the convertible bonds issued by the Company on 30th January 2015 (further details regarding the convertible bonds are set out in “*Issue of Convertible Bonds*” under “Fundraising Activities” section of this announcement), which caused the finance costs of the Group to significantly increase to approximately HK\$32.6 million for the Period (nine months ended 30th September 2014: approximately HK\$4.8 million).

Other revenue and net income decreased significantly by 53.4% to approximately HK\$61.1 million for the Period (nine months ended 30th September 2014: approximately HK\$131.0 million). This decrease was mainly due to the poor performance of investments portfolio of the Group amid the adverse capital market conditions during the three months ended 30th September 2015, which caused the Group only recorded the net gains on financial assets at fair value through profit or loss of approximately HK\$40.2 million for the Period (nine months ended 30th September 2014: approximately HK\$100.1 million), while the Group recorded the net loss on financial assets at fair value through profit or loss of approximately HK\$364.3 million for the three months ended 30th September 2015 (three months ended 30th September 2014: net gains of approximately HK\$53.1 million).

Other operating expenses increased to approximately HK\$67.0 million for the Period (nine months ended 30th September 2014: approximately HK\$27.5 million). The main reason was that an exchange loss of approximately HK\$57.8 million due to the central parity rates of Renminbi (“RMB”) against Hong Kong dollar and other currencies experienced significant changes as a result of the reform of the RMB exchange rate quotation regime (nine months ended 30th September 2014: HK\$18.1 million).

As for investment business, based on the principles of scientific analysis and prudent determination, the Group mainly focused on software, hardware companies and Internet companies which master the core and leading technology in the convergence of television, telecom and Internet fields. Meanwhile, the Group also focused on companies in the field of commercial STB and Online to Offline (“O2O”) Electronic Commerce and deployed investment in preparation and integration of the industry ecosystem. During the period under review, the Group conducted some investments in the secondary market. Based on value investment, the Group selected the investment with lower risk in the secondary market by taking risk control and reasonable earning expectation as its investment strategy, maintenance and appreciation of asset value are the long-term investment commitment of the Group. As the adverse capital market conditions during the three months ended 30th September 2015, resulting in the Group only recorded the net gains on financial assets at fair value through profit or loss of approximately HK\$40.2 million for the Period (nine months ended 30th September 2014: approximately HK\$100.1 million).

As a result of the foregoing, the Group recorded a loss attributable to owners of the parent of approximately HK\$246.1 million for the Period (nine months ended 30th September 2014: approximately HK\$193.9 million), and the Group recorded a loss attributable to owners of the parent of approximately HK\$438.4 million for the three months ended 30th September 2015 (three months ended 30th September 2014: profit attributable to owners of the parent of approximately HK\$47.5 million).

Fundraising Activities

Issue of Convertible Bonds

On 23rd December 2014, the Company entered into a subscription agreement with the Yue Xiu Great China Fixed Income Fund LP (“Yue Xiu”) as the subscriber in relation to the issue of convertible bonds in principal amount of approximately HK\$465.95 million (the “Convertible Bonds”). On 30th January 2015 (the “Bond Issue Date”), the Company issued Convertible Bonds to Yue Xiu. The Convertible Bonds pay interest at the rate of 6% per annum. Such interest accrued at the outstanding principal amount of the Convertible Bonds shall only be payable by the Company to the convertible bondholder within three business days after the bond maturity date on 30th January 2016 (the “Bond Maturity Date”) if the Convertible Bonds are neither converted during the conversion period nor redeemed prior to the Bond Maturity Date.

The Convertible Bonds can be converted into ordinary shares of the Company at a conversion price of HK\$1.3 per share (subject to adjustments) for a maximum number of 358,423,360 conversion shares. The market price of the shares of the Company is HK\$1.45 and HK\$2.36 as at 23rd December 2014 and 30th January 2015 respectively. The conversion period commenced from the 91st day after the Bond Issue Date and will end on the Bond Maturity Date.

The net proceeds from the issue of the Convertible Bonds net of issue costs amounted to approximately HK\$465.6 million. The use of proceeds from the issue of the Convertible Bonds is to fund the Group’s business development and possible strategic acquisitions and to replenish the general working capital of the Group.

As at the date of this announcement, the Company has given notice to Yue Xiu on 10th November 2015 (the “Notice”) that the Company elected to early redeem all of the 6% coupon Convertible Bonds due 2016 issued on 30th January 2015 pursuant to the terms and conditions of the Convertible Bonds. Upon the serving of the Notice, the Company and Yue Xiu shall enter into discussion and confirm in writing the redemption date and the redemption amount of the Convertible Bonds. Unless otherwise agreed and confirmed by both parties, the redemption amount will be paid to Yue Xiu’s specified account on 1st December 2015, being the 15th business day after serving the Notice. The Company shall not accept any request by Yue Xiu relating to the conversion of the Convertible Bonds from 10th November 2015. For details of the Convertible Bonds, please refer to the Company’s announcements dated 23rd December 2014, 30th January 2015, 10th November 2015 and note 14 to the unaudited condensed consolidated financial statements of the Company’s interim report 2015 respectively.

BUSINESS PROSPECT

The global IPTV market has reached a mature stage, especially China market is in a steadily growing status. Being one of the earliest companies developing in broadband STB in the world, the Group, with efforts in over ten years and based on its accumulation of technological expertise over the years and its own research and development (“R&D”) capability, will continue changing the traditional model by working hard on exploring the linkage of Internet, television and telecom. Meanwhile, in order to acquire more sophisticated competitive advantages to improve innovation capabilities and to meet the different needs of customers, the Group will put a high proportion of investment in R&D, continue upgrading its products and also actively develops new products to adopt to new market opportunities. Therefore, the Group expects its STB business to achieve a better performance in the near future.

Regarding its investment business, the Group will continue focusing on the convergence of television, telecom and Internet fields. These fields are emerging the opportunities of huge convergence and great development. It is believed that the existing and the accumulated experiences of the information home appliances of the Group will help to efficiently complete the value evaluation, the resources integration and the value upgrade of the invested companies. Meanwhile, the Group will also focus on home living Internet field and security cloud field based on the development of the convergence of computer, communication and consumer electrics, intelligent Internet and security technology. On the other hand, the Group’s secondary market investment strategy will continue, based on value investment, to 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 commitments of the Group.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Scheme”) pursuant to the ordinary resolutions passed by the shareholders of the Company (the “Shareholders”) at the special general meeting (“SGM”) on 14th January 2015 (the “Option Adoption Date”). The Scheme is valid for ten years from the Option Adoption Date and shall expire at the close of business on the day immediately preceding the 10th anniversary thereof unless terminated earlier by the Shareholders in general meeting.

The total number of shares which may be issued upon the exercise of all share options to be granted under the Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the total issued share capital of the Company on the Option Adoption Date (the “Scheme Mandate”) unless the Company obtains a refresh approval from the Shareholders to renew the 10% limit on the basis that the maximum number of shares in respect of which share options may be granted under the Scheme together with any share options outstanding and yet to be exercised under the Scheme and any other share option schemes shall not exceed 30% of the issued share capital of the Company from time to time. At the SGM which was held on the Option Adoption Date, the Scheme Mandate was approved by the Shareholders and the total number of shares that may fall to be allotted and issued under the Scheme would be 179,211,680 shares, representing 10% of the total number of shares in issue as at the date of approval of the Scheme Mandate at the SGM. On 16th January 2015, the Company offered to grant 186 eligible participants to subscribe for a total of 107,527,008 ordinary shares of HK\$0.025 each in the capital of the Company at an exercise price HK\$2.2 per share. These share options are exercisable up to five years from the date of grant.

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

Category	Date of grant	Exercise price per share HK\$	Exercisable period*	Number of shares issuable under the share options				Outstanding as at 30th September 2015
				Outstanding as at 1st January 2015	Granted during the period	Exercised during the period	Forfeited during the period	
Directors								
Mr. Zhu Wei Sha	16th January 2015	2.2	16th January 2015 - 15th January 2020	-	1,792,116	-	-	1,792,116
Mr. Chen Fu Rong	16th January 2015	2.2	16th January 2015 - 15th January 2020	-	1,792,116	-	-	1,792,116
Mr. Shi Guang Rong	16th January 2015	2.2	16th January 2015 - 15th January 2020	-	6,500,000	-	-	6,500,000
Mr. Wang An Zhong	16th January 2015	2.2	16th January 2015 - 15th January 2020	-	3,000,000	-	-	3,000,000
Mr. Zhu Jiang	16th January 2015	2.2	16th January 2015 - 15th January 2020	-	7,000,000	-	-	7,000,000
Mr. Zhong Peng Rong	16th January 2015	2.2	16th January 2015 - 15th January 2020	-	1,000,000	-	-	1,000,000
Mr. Wu Jia Jun	16th January 2015	2.2	16th January 2015 - 15th January 2020	-	1,000,000	-	-	1,000,000
Ms. Shen Yan	16th January 2015	2.2	16th January 2015 - 15th January 2020	-	1,000,000	-	-	1,000,000
Continuous contract employees	16th January 2015	2.2	16th January 2015 - 15th January 2020	-	76,242,776	(9,032,000)	-	67,210,776
Suppliers of goods or services	16th January 2015	2.2	16th January 2015 - 15th January 2020	-	2,200,000	(280,000)	-	1,920,000
Other eligible participants	16th January 2015	2.2	16th January 2015 - 15th January 2020	-	6,000,000	-	-	6,000,000
				-	107,527,008	(9,312,000)	-	98,215,008

* Options granted to the Directors, continuous contract employees, suppliers of goods or services and other eligible participants are subject to vesting conditions.

Note:

The price of the shares of the Company before the date of the grant of the share options is the closing price of the shares of the Company as quoted on the Exchange on the trading day immediately before the date on which the share options were granted.

As at the date of approval of these unaudited condensed consolidated financial statements for the nine months ended 30th September 2015, none of the share options has been exercised subsequent to the end of the period under review.

The fair value of share options granted by the Company, which was determined at the date of the grant using the binomial model was approximately HK\$79.4 million (nine months ended 30th September 2014: HK\$Nil) and was charged as an expense over the projected vesting period being the period for which the services from the employees were rendered. For the nine months ended 30th September 2015, the Group recognised the non-cash share option expenses of approximately HK\$55.1 million (nine months ended 30th September 2014: HK\$Nil) with a corresponding credit to share option reserve.

SHARE AWARD SCHEME

Pursuant to a resolution of the Board meeting dated 6th October 2014 (the “Adoption Date of Share Award Scheme”), the Board approved the adoption of share award scheme (the “Share Award Scheme”) under which the shares may be awarded to selected employees (excluding any director and any chief executive) (the “Selected Employees”) in accordance with its provisions. The purpose of the Share Award Scheme is to recognise and reward the contribution of certain employees to the business growth and development of the Group through an award of the shares of the Company. The Share Award Scheme will remain in force for a period of three years commencing on the Adoption Date of Share Award Scheme. The vesting period and vesting condition of the awarded shares are determined by the Board upon the grant of the awarded shares. A trust has been set up and fully funded by the Company for the purpose of purchasing, administering and holding the shares for the Share Award Scheme. The total number of shares which may be granted to the Selected Employees under the Share Award Scheme shall not exceed 3% of the total issued share capital of the Company from time to time. For details of the Share Award Scheme, please refer to the announcement of the Company dated 6th October 2014.

For the nine months ended 30th September 2015, based on the Company’s instruction, 300,000 shares were purchased by the Trustee on the market for the purpose of the Share Award Scheme, representing approximately 0.02% of the issued share capital of the Company as at 30th September 2015 and the aggregate price paid by the Company were HK\$436,000. For the nine months ended 30th September 2015, 22,596,000 shares held under the Share Award Scheme were granted to the Selected Employees of the Group at nil consideration. The fair value of these awarded shares was determined by reference to closing price of the Company’s ordinary shares on the grant date and was charged as an expense over the vesting period. For the nine months ended 30th September 2015, the Group recognised the non-cash share-based compensation expenses of approximately HK\$73.0 million (nine months ended 30th September 2014: HK\$Nil) with a corresponding credit to share-based compensation reserve. As at 30th September 2015, 16,798,000 shares have been vested to the Selected Employees of the Group.

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

As at 30th September 2015, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as required, pursuant to the minimum standards of dealing by the Directors as referred to in Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Exchange were as follows:

(1) Long positions in the shares of the Company

Name of Director	Nature of interests	Number of ordinary shares	Capacity	Percentage to the total issued share capital of the Company
Mr. Zhu Wei Sha	Corporate (<i>Note</i>)	206,970,800	Interest of a controlled corporation	11.49%
	Personal	1,590,000	Beneficial owner	0.09%
Mr. Chen Fu Rong	Corporate (<i>Note</i>)	206,970,800	Interest of a controlled corporation	11.49%
Mr. Shi Guang Rong	Personal	23,260,000	Beneficial owner	1.29%
Mr. Zhu Jiang	Personal	7,926,756	Beneficial owner	0.44%
Mr. Wang An Zhong	Personal	6,736,756	Beneficial owner	0.37%
Mr. Zhong Peng Rong	Personal	1,600,000	Beneficial owner	0.09%
Mr. Wu Jia Jun	Personal	600,000	Beneficial owner	0.03%
Ms. Shen Yan	Personal	324,000	Beneficial owner	0.02%

Note: Messrs. Zhu Wei Sha and Chen Fu Rong held these shares through Super Dragon Co., Ltd. (“Super Dragon”), a company in which Messrs. Zhu Wei Sha and Chen Fu Rong held 63.6% and 36.4% of the entire issued share capital respectively. Both Mr. Zhu Wei Sha and Mr. Chen Fu Rong are directors of Super Dragon. Reference is made to the announcements of the Company dated 11th May 2015, 13th May 2015, 27th May 2015, 1st June 2015, 3rd June 2015, 10th July 2015 and 21st September 2015 in relation to a proposed disposal of shares in the Company by Super Dragon. Super Dragon has on 10th July 2015 entered into a formal sale and purchase agreement with a company as nominated by a purchaser (“Purchaser”) in relation to the sale to such company of 448,029,200 ordinary shares of the Company (representing 25% of the total issued share capital of the Company as at 31st March 2015) at HK\$3.3 per share. The Company understands that Super Dragon has received a request of deferral from the Purchaser requesting that payment of the consideration for the transaction which is required to be paid under the formal sale and purchase agreement, be paid within 50 working days of 21st September 2015.

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

Pursuant to the share option scheme approved by the Shareholders on 14th January 2015, the Directors in the capacity as beneficial owners were granted unlisted and physically settled share options to subscribe for the shares of the Company, details of which as at 30th September 2015 were as follows:

Name of Directors	Date of grant	Exercise price per share HK\$	Exercisable period	Number of shares issuable under the share options				
				Outstanding as at 1st January 2015	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding as at 30th September 2015
Mr. Zhu Wei Sha	16th January 2015	2.2	16th January 2015 - 15th January 2020	-	1,792,116	-	-	1,792,116
Mr. Chen Fu Rong	16th January 2015	2.2	16th January 2015 - 15th January 2020	-	1,792,116	-	-	1,792,116
Mr. Shi Guang Rong	16th January 2015	2.2	16th January 2015 - 15th January 2020	-	6,500,000	-	-	6,500,000
Mr. Wang An Zhong	16th January 2015	2.2	16th January 2015 - 15th January 2020	-	3,000,000	-	-	3,000,000
Mr. Zhu Jiang	16th January 2015	2.2	16th January 2015 - 15th January 2020	-	7,000,000	-	-	7,000,000
Mr. Zhong Peng Rong	16th January 2015	2.2	16th January 2015 - 15th January 2020	-	1,000,000	-	-	1,000,000
Mr. Wu Jia Jun	16th January 2015	2.2	16th January 2015 - 15th January 2020	-	1,000,000	-	-	1,000,000
Ms. Shen Yan	16th January 2015	2.2	16th January 2015 - 15th January 2020	-	1,000,000	-	-	1,000,000
				-	23,084,232	-	-	23,084,232

Further details regarding the share options are set out under the heading “Share Option Scheme” in this report.

Save as disclosed above, none of the Directors or chief executive of the Company had, as at 30th September 2015, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as required to be notified to the Company and the Exchange pursuant to the minimum standards of dealing by the Directors as referred to in rule 5.46 of the GEM Listing Rules.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far as is known to any Director or chief executive of the Company, as at 30th September 2015, the following is a list of the substantial shareholders (other than Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

(1) Long positions in the shares of the Company

Name of shareholders	Nature of interests	Number of ordinary shares	Capacity	Percentage to the total issued share capital of the Company
Xie Yingqin (<i>Note 1 & Note 2</i>)	Corporate	467,621,200	Interest of a controlled corporation	25.96%
– Rainbow Bridge Investment Fund (<i>Note 1</i>)	Corporate	19,592,000	Beneficial owner	1.09%
– Maxima Assets Management Limited (<i>Note 2</i>)	Corporate	448,029,200	Beneficial owner	24.87%
Super Dragon (<i>Note 2 & Note 3</i>)	Corporate	206,970,800	Beneficial owner	11.49%

(2) Long positions in the underlying shares of the Convertible Bonds of the Company

Name of the convertible bondholder	Principal amount of the Convertible Bonds HK\$'000	Maximum number of the total underlying shares	Percentage to the total issued share capital of the Company
Yue Xiu (<i>Note 4</i>)	465,950 (<i>Note 5</i>)	358,423,360	19.90%

Notes:

- Xie Yingqin is interested in 19,592,000 ordinary shares of the Company through Rainbow Bridge Investment Fund, a wholly-owned subsidiary of Ocean Miles Global Investment Group Limited (“Ocean Miles”) while Xie Yingqin holds 50% of the entire issued share capital of Ocean Miles.
- Reference is made to the announcements of the Company dated 11th May 2015, 13th May 2015, 27th May 2015, 1st June 2015, 3rd June 2015, 10th July 2015 and 21st September 2015 in relation to a proposed disposal of shares of the Company by Super Dragon. Super Dragon has on 10th July 2015 entered into a formal sale and purchase agreement (“Formal Sale and Purchase Agreement”) with Maxima Assets Management Limited (“Maxima”), a company as nominated by the purchaser (“Purchaser”) in relation to the sale to Maxima of 448,029,200 ordinary shares of the Company (“Sale Shares”) (representing 25% of the total issued share capital of the Company as at 31st March 2015) at HK\$3.3 per share. The Company understands that Super Dragon has received a request of deferral from the Purchaser requesting that payment of the consideration for the transaction which is required to be paid under the Formal Sale and Purchase Agreement, be paid within 50 working days of 21st September 2015, which was updated on the Company’s announcement dated 21st September 2015. According to the disclosure forms filed by Maxima, Ling Zuqun, Li Qiang and Xie Yingqin on 10th July 2015, Ling Zuqun, Li Qiang and Xie Yingqin holds 51%, 30% and 19% of the entire issued share capital of Maxima respectively and Ling Zuqun, Li Qiang and Xie Yingqin are also deemed to be interested in such Sale Shares of the Company under the SFO.
- Super Dragon is beneficially owned by Mr. Zhu Wei Sha, as to 63.6%, and Mr. Chen Fu Rong, as to 36.4%, respectively. Both Mr. Zhu Wei Sha and Mr. Chen Fu Rong are directors of Super Dragon.

4. Yue Xiu is a limited partnership established in the Cayman Islands. According to the disclosure forms filed by Yue Xiu, 廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited*) (“Guangzhou Yue Xiu”) and Chen Keli on 5th February 2015, Guangzhou Yue Xiu and Chen Keli are also deemed to be interested in such Convertible Bonds of the Company under the SFO.
5. The Convertible Bonds were issued by the Company to Yue Xiu on 30th January 2015 in the principal amount of approximately HK\$465,950,000. The Convertible Bonds shall bear interest at the rate of 6% per annum and convertible into the shares of the Company at the conversion price of HK\$1.3 per share (subject to adjustments). The conversion period commenced from the 91st day after the Bond Issue Date and will end on the Bond Maturity Date.

Save as disclosed above, as at 30th September 2015, the Company had not been notified by any person (other than Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the nine months ended 30th September 2015.

COMPETING INTERESTS

None of the Directors or management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has any interest in a business which competed or might compete with the business of the Group or has any other conflict of interest with the Group during the nine months ended 30th September 2015.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential for the continuing growth of the Group and for safeguarding and maximizing shareholders’ interests.

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

Subject to the deviations as disclosed hereof, the Company has complied with all the provisions of the GEM Code for the nine months ended 30th September 2015 and up to the date hereof:

Under provision A.2.1 of the GEM Code, the role of the chairman of the board and the chief executive officer should be separated and should not be performed by the same individual. The responsibilities between the chairman of the board 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 of the board and chief executive officer; (ii) Mr. Zhu Wei Sha as the chairman of the Board and the chief executive officer of the Group is responsible for ensuring that all Directors act in the best interests of the shareholders. He is fully accountable to the shareholders and contributes to the Board and the Group on all top level and strategic decisions; and (iii) this structure will not impair the balance of power and authority between the Board and the management of the Company.

AUDIT COMMITTEE

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

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

The audit committee has reviewed the Group's unaudited condensed consolidated results for the nine months ended 30th September 2015 pursuant to the relevant provisions contained in the GEM Code and was of the opinion that the preparation of such results complied with applicable accounting standards and that adequate disclosure has been made in respect thereof.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed shares during the nine months ended 30th September 2015, except the trustee of the Share Award Scheme, pursuant to the rules and trust deed of the Share Award Scheme, purchased an aggregate of 300,000 shares of the Company's existing shares on the market at a total consideration of approximately HK\$436,000.

SECURITIES TRANSACTIONS BY THE DIRECTORS

Although the Company has not adopted any code of conduct regarding the Directors' securities transactions, it has in place internal operating procedures regarding the Directors' trading in securities. It has made specific enquiry with all Directors and all Directors have confirmed that they have complied with the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules during the nine months ended 30th September 2015 save in respect of a dealing in which Mr. Zhu Wei Sha and Mr. Chen Fu Rong (both executive directors of the Company) were interested, and in respect of which they did not comply with certain requirements of Rules 5.48 to 5.67 of the GEM Listing Rules relating to a proposed disposal of shares in the Company by Super Dragon during a "black out" period preceding the publication date of the Company's first quarterly report 2015. This breach has been notified to and resolved with the Exchange.

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

Hong Kong, 11th November 2015

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 for at least 7 days from the date of its publication and on the website of the Company at www.yuxing.com.cn.

* For identification purposes only