



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

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



Third Quarterly Report

2014

* for identification purposes only

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

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

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

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

HIGHLIGHTS FOR THE NINE-MONTH PERIOD

- For the nine months and three months ended 30th September 2014, turnover of the Group was approximately HK\$382.8 million and HK\$111.1 million respectively, representing a decrease of 16.9% and 41.9% respectively in comparison to the corresponding periods in 2013.
- For the nine months and three months ended 30th September 2014, gross profit of the Group decreased by 6.5% and 72.0% respectively to approximately HK\$38.7 million and HK\$8.2 million as compared to the corresponding periods of last year.
- Loss attributable to owners of the parent for the nine months ended 30th September 2014 amounted to approximately HK\$193.9 million, and profit attributable to owners of the parent for the three months ended 30th September 2014 amounted to approximately HK\$47.5 million, while the Group recorded loss attributable to owners of the parent of approximately HK\$0.8 million for the nine months ended 30th September of last year and the Group recorded profit attributable to owners of the parent of approximately HK\$25.0 million for the three months ended 30th September of last year.
- The Group recorded a loss in fair value adjustments to derivative financial instruments in connection with the Repurchase(s) of approximately HK\$261.2 million for the nine months ended 30th September 2014, which was the major contribution to the loss attributable to the owners of the parent for the period under review. Without considering these adjustments, the Group will record a profit attributable to the owners of the parent of approximately HK\$67.3 million for the nine months ended 30th September 2014.
- Basic loss per share for the nine months ended 30th September 2014 was HK10.82 cents, and basic earnings per share for the three months ended 30th September 2014 was HK2.65 cents.
- The Board does not recommend the payment of any interim dividend for the nine months ended 30th September 2014. During the nine months ended 30th September 2013, an interim dividend of HK\$0.05 per share totaling approximately HK\$89.6 million was declared and distributed.

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 2014 together with the comparative unaudited figures for the corresponding periods in 2013, 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 2014

	Notes	For the nine months ended 30th September		For the three months ended 30th September	
		2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Turnover	2	382,757	460,569	111,060	191,198
Cost of sales		(344,042)	(419,172)	(102,836)	(161,804)
Gross profit		38,715	41,397	8,224	29,394
Other revenue and net income		130,953	20,436	63,637	16,283
Distribution and selling expenses		(10,260)	(11,405)	(4,115)	(3,620)
General and administrative expenses		(58,636)	(57,495)	(20,676)	(19,052)
Other operating expenses		(27,487)	(3,103)	(450)	(477)
Fair value gain on investment properties		200	2,910	-	-
Change in fair value of derivative financial instruments in connection with the Repurchase(s) (as defined in "Financial and Business Review" section)		(261,217)	-	-	-
(Loss)/Profit from operations		(187,732)	(7,260)	46,620	22,528
Finance costs		(4,817)	(25,271)	(624)	(8,664)
Share of results of a joint venture		-	25,929	-	12,730
(Loss)/Profit before taxation		(192,549)	(6,602)	45,996	26,594
Taxation	3	(1,787)	2,754	(45)	11
(Loss)/Profit for the period		(194,336)	(3,848)	45,951	26,605
(Loss)/Profit attributable to:					
Owners of the parent		(193,894)	(794)	47,463	24,972
Non-controlling interests		(442)	(3,054)	(1,512)	1,633
		(194,336)	(3,848)	45,951	26,605
(Loss)/Earnings per share	5				
- Basic		(10.82) cents	(0.04) cent	2.65 cents	1.39 cents
- Diluted		(10.82) cents	(0.04) cent	2.65 cents	1.39 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the nine months and three months ended 30th September 2014

	For the nine months ended 30th September		For the three months ended 30th September	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss)/Profit for the period	(194,336)	(3,848)	45,951	26,605
Other comprehensive income/(loss)				
Items that may be reclassified subsequently to profit or loss:				
Change in fair value of available-for-sale financial assets	73,135	-	33,865	-
Share of other comprehensive (loss)/ income arising from interest in a joint venture (net of tax)	-	(436,927)	-	63,236
Exchange differences arising on translation of PRC subsidiaries	(2,178)	52,543	482	10,824
Other comprehensive income/(loss) for the period	70,957	(384,384)	34,347	74,060
Total comprehensive (loss)/income for the period	<u>(123,379)</u>	<u>(388,232)</u>	<u>80,298</u>	<u>100,665</u>
Total comprehensive (loss)/income attributable to:				
Owners of the parent	(122,937)	(385,178)	81,810	99,032
Non-controlling interests	(442)	(3,054)	(1,512)	1,633
	<u>(123,379)</u>	<u>(388,232)</u>	<u>80,298</u>	<u>100,665</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 30th September 2014

	Attributable to owners of the parent											
	Share capital HK\$'000	Share premium HK\$'000	Statutory reserves HK\$'000	Contributed surplus HK\$'000	Share option reserves HK\$'000	Investment revaluation reserves HK\$'000	Translation reserves HK\$'000	Other reserves HK\$'000	Retained profits/ (Accumulated losses) HK\$'000	Sub total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
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 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
As at 1st January 2013	43,688	41,693	20,435	234,621	29,021	1,682,822	687,064	-	(393,828)	2,345,516	12,441	2,357,957
Loss for the period	-	-	-	-	-	-	-	-	(794)	(794)	(3,054)	(3,848)
Other comprehensive loss:												
Share of other comprehensive loss arising from interest in a joint venture (net of tax)	-	-	-	-	-	(436,927)	-	-	-	(436,927)	-	(436,927)
Exchange differences arising on translation of PRC subsidiaries	-	-	-	-	-	-	52,543	-	-	52,543	-	52,543
Total other comprehensive loss	-	-	-	-	-	(436,927)	52,543	-	-	(384,384)	-	(384,384)
Total comprehensive loss for the period	-	-	-	-	-	(436,927)	52,543	-	(794)	(385,178)	(3,054)	(388,232)
Transactions with owners:												
<i>Contributions and distributions</i>												
Issue of shares under share option scheme	1,115	15,572	-	-	(3,415)	-	-	-	-	13,272	-	13,272
Share options expired	-	-	-	-	(25,606)	-	-	-	25,606	-	-	-
Interim dividend	-	-	-	-	-	-	-	-	(89,606)	(89,606)	-	(89,606)
Total transactions with owners	1,115	15,572	-	-	(29,021)	-	-	-	(64,000)	(76,334)	-	(76,334)
As at 30th September 2013	44,803	57,265	20,435	234,621	-	1,245,895	739,607	-	(458,622)	1,884,004	9,387	1,893,391

NOTES:

1 Basis of preparation

The Group's unaudited condensed consolidated financial statements for the nine months ended 30th September 2014 have been prepared in accordance with the Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants and with applicable disclosure provisions of the Rules Governing The Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. The accounts are unaudited but have been reviewed by the Company's audit committee.

These unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31st December 2013. 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 2013. The adoption of the new/revised Hong Kong Financial Reporting Standards that are relevant to the Group and effective from the current period had no significant effects on the results and financial position of the Group for the current and prior periods.

2 Turnover

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

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

3 Taxation

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

	For the nine months ended 30th September		For the three months ended 30th September	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
PRC enterprise income tax	<u>1,787</u>	<u>(2,754)</u>	<u>45</u>	<u>(11)</u>

3 **Taxation** (Continued)

The income tax provision in respect of operations in the People's Republic of China (other than Hong Kong and Macau) (the "PRC") is calculated at the applicable tax rate of 25% on the estimated assessable profits for the nine months and three months ended 30th September 2014 and 2013 based on existing legislation, interpretations and practices in respect thereof. Two operating subsidiaries (for the nine months and three months ended 30th September 2013: two) of the Company have been officially designated by the local tax authority as "New and High Technology Enterprise". As a result, the effective tax rate for these subsidiaries is 15% (for the nine months and three months ended 30th September 2013: 15%) for the nine months and three months ended 30th September 2014.

According to the Tax Relief Notice (Cai Shui [2011] no. 58) on the Grand Development of Western Region jointly issued by the Ministry of Finance, the State Administration of Taxation and China Customs, enterprises located in the western region of the PRC with principal revenue of over 70% generated from the encouraged business activities are entitled to an income tax rate of 15% for 10 years from 1st January 2011 to 31st December 2020. Accordingly, a subsidiary (for the nine months and three months ended 30th September 2013: Nil) of the Company located in the Western Region is entitled to an income tax rate of 15% for the nine months and three months ended 30th September 2014.

No Hong Kong Profits Tax has been provided for the nine months and three months ended 30th September 2014 and 2013 as the Group did not have any assessable profit from Hong Kong for both periods.

4 **Dividends**

The Board does not recommend the payment of any interim dividend for the nine months ended 30th September 2014 (nine months ended 30th September 2013: approximately HK\$89,606,000, representing HK\$0.05 per share).

On 19th March 2014, the Board proposed the payment of a final dividend of HK\$0.05 per share in respect of the financial year ended 31st December 2013 (2012: HK\$Nil). The proposed final dividend of approximately HK\$89,606,000 was approved by the Company's shareholders at the Company's annual general meeting on 16th May 2014 and was distributed on 13th June 2014.

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

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

	For the nine months ended 30th September		For the three months ended 30th September	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss)/Profit attributable to owners of the parent	<u>(193,894)</u>	<u>(794)</u>	<u>47,463</u>	<u>24,972</u>

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

	For the nine months ended 30th September		For the three months ended 30th September	
	2014	2013	2014	2013
	'000	'000	'000	'000
Issued ordinary shares at 1st January	1,792,117	1,747,506	–	–
Issued ordinary shares at 1st July	–	–	1,792,117	1,792,117
Effect of share options exercised	–	27,990	–	–
Weighted average number of ordinary shares for basic (loss)/ earnings per share	1,792,117	1,775,496	1,792,117	1,792,117
Effect of dilutive potential ordinary shares:				
Exercise of share options	N/A	N/A	N/A	N/A
Weighted average number of ordinary shares for diluted (loss)/ earnings per share	1,792,117	1,775,496	1,792,117	1,792,117
(Loss)/Earnings per share:				
– Basic	<u>(10.82) cents</u>	<u>(0.04) cent</u>	<u>2.65 cents</u>	<u>1.39 cents</u>
– Diluted *	<u>(10.82) cents</u>	<u>(0.04) cent</u>	<u>2.65 cents</u>	<u>1.39 cents</u>

* 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 no potential dilutive share outstanding during the period.

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

RESERVES

Movements in the reserves of the Group for the nine months ended 30th September 2014 (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 (During the nine months ended 30th September 2013, an interim dividend of HK\$0.05 per share totaling approximately HK\$89.6 million was declared and distributed).

FINANCIAL AND BUSINESS REVIEW

During the period under review, various types of set-top boxes ("STB") had been launched by the Group including standard-definition STB, high digital STB, dual mode STB, Over-The-Top TV ("OTT")/Internet Protocol Television ("IPTV") STB, as well as smart STB equipped with an Android system, etc. Under the steady growth of the global IPTV market condition, the Group's IPTV STB business also entered into a period of market maturity. Although during the period under review the Group's STB business in the PRC and Hong Kong has declined, the Group will further improve the products with the accumulation of technological expertise over the years and leading self-developed intermediary software platform, so that the Group can meet the needs of different customers, integrate with termination systems and customize end products. During the period under review, the Group's overall turnover and gross profit amounted to approximately HK\$382.8 million and HK\$38.7 million respectively for the Period, representing a substantial decrease of 16.9% and 6.5% respectively as compared with the same period of last year. This decrease in overall turnover of the Group for the Period was mainly attributable to the weakened order procurement sentiment of the PRC and Hong Kong customers, more intense competition as well as seasonal effects in the third quarter of 2014 which together have contributed to a softened demand for the Group's products for the Period. For the three months ended 30th September 2014, the Group's overall turnover only reached approximately HK\$111.1 million (for the three months ended 30th September 2013: approximately HK\$191.2 million).

FINANCIAL AND BUSINESS REVIEW (Continued)

In the PRC market, the Group had successfully launched, through cooperation with one of the largest PRC telecom equipment and system providers, various types of STB into areas including Guangdong Province, Hubei Province, Sichuan Province, Shanxi Province, Liaoning Province, Jilin Province, Anhui Province and Tianjin Municipalities, etc. Some operators cooperating with the Group started planning to deploy smart STB in large scale and the Group had deployed smart STB equipped with an Android system in many provinces across the PRC. However, due to the weakened order procurement sentiment of this PRC customer in the third quarter of 2014 and a further market competition, this led to a significant decrease in both the sales quantity and selling price of STB in the PRC as compared with the same period of last year. Therefore, the turnover of the Group in the PRC for the Period decreased significantly by 18.1% to approximately HK\$244.7 million as compared with the same period of last year.

In the overseas market, the Group keeps on maintaining good cooperation relationships with various existing telecom operators and system integration suppliers. The Group has managed to forward continuous shipments of its products to customers in Australia, Belgium, Spain and Sweden, etc. The Group has currently developed some new cooperation partners including Brasil, Romania and Czechoslovakia, etc. Although there was a reduction in purchase orders from a few overseas customers during the period under review, sales in Australia for the Period increased significantly by 102.1% to approximately HK\$78.4 million as compared with the same period of last year. Consequently, overall overseas turnover increased significantly by 21.2% to approximately HK\$109.8 million for the Period as compared with the same period of last year.

As one of the leading suppliers of IPTV STB in Hong Kong, the Group still maintained great cooperation relationship with a Hong Kong telecommunication operator in its marketing activities. However, due to the significant reduction in purchase orders from the Hong Kong customer in the first three quarters of 2014, it resulted a significant decrease in the Group's turnover in Hong Kong market by 60.3% to approximately HK\$28.3 million for the Period as compared with the same period of last year.

FINANCIAL AND BUSINESS REVIEW (Continued)

With the significant decrease of the Group's overall turnover, the Group's selling expenses for the Period also decreased by 10.0% to approximately HK\$10.3 million as compared with the same period of last year. At the same time, the Group's general and administrative expenses for the Period increased by 2.0% to approximately HK\$58.6 million as compared with the corresponding period in 2013. Moreover, there was no amortised interest expenses recorded for the Period in respect of the settlement fee payable to the Guangdong Jianlibao Group Company Limited ("JLB Group") or its designated entities (further details regarding the settlement fee payable are set out in note 30 to the financial statement in the annual report 2013 of the Company), which caused the finance costs of the Group to decrease significantly to approximately HK\$4.8 million for the Period (for the nine months ended 30th September 2013: approximately HK\$25.3 million).

During the period under review, the Group recorded a loss in fair value adjustments to derivative financial instruments of approximately HK\$261.2 million for the Period (for the nine months ended 30th September 2013: HK\$Nil), which was related to the call options and put options in connection with the Group's repurchase of no more than 41 million but no less than 27 million A shares of Ping An Insurance (Group) Company of China, Ltd. ("Ping An Shares") at the repurchase price of RMB37.29 per share from Gongbujiangda Jiangnan Industrial Development Company Limited ("JI") during 90 days after the final payment date of the disposal agreement (the "Repurchase(s)"). The fair value of the derivative financial instruments in connection with the Repurchase(s) were re-measured by an independent professional valuer at each repurchase date during the repurchase period up to 2nd April 2014. These adjustments were the major contribution to the loss attributable to the owners of the parent of the Company for the Period. For further details, the Directors request the shareholders and investors of the Company to refer to the note 11(c) to the unaudited condensed consolidated financial statements of the Company's interim report 2014 and note 24(c) to the financial statements of the Company's annual report 2013 in relation to the fair value adjustments of such call options and put options and the Company's circular dated 31st October 2013 (the "Circular").

FINANCIAL AND BUSINESS REVIEW (Continued)

Other revenue and net income of the Group increased significantly by 540.8% to approximately HK\$131.0 million for the Period (for the nine months ended 30th September 2013: approximately HK\$20.4 million). This increase for the Period was mainly attributable to the following reasons: (1) the realised and unrealised gains on financial assets at fair value through profit or loss of totaling approximately HK\$98.6 million for the Period (for the nine months ended 30th September 2013: realised gains of approximately HK\$3.3 million); and (2) dividend income from the Group's investment in Ping An Shares of approximately HK\$19.7 million (for the nine months ended 30th September 2013: HK\$Nil). However, the Group recognised the dividend income from its indirect investment in 51 million Ping An Shares through its 36.66% equity interest in JI in the share of results of a joint venture of approximately HK\$31.8 million for the nine months ended 30th September 2013 and the Group had ceased to recognise JI as a joint venture immediately upon the completion of the disposal of one of its wholly-owned subsidiary of Beijing Golden Yuxing Electronics and Technology Company Limited ("Golden Yuxing") on 31st December 2013.

Other operating expenses increased to approximately HK\$27.5 million for the Period (for the nine months ended 30th September 2013: approximately HK\$3.1 million). The main reason for this increase was that the Group recorded exchange losses of totaling approximately HK\$18,100,000 for the Period (for the nine months ended 30th September 2013: exchange gains of totaling approximately HK\$30,000).

As for investment business, based on the principles of scientific analysis and prudent determination, the Group mainly focused on some software or hardware companies and internet companies which master the core and leading technology in the convergence of television, telecom and internet field. During the period under review, the Group conducted some useful attempts in secondary market investment. 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 the investment strategy, maintenance and appreciation of asset value are the long-term investment commitment of the Group.

As a result of the foregoing, the Group recorded a loss attributable to owners of the parent of approximately HK\$193.9 million for the Period (for the nine months ended 30th September 2013: approximately HK\$0.8 million). However, the Group recorded a profit attributable to owners of the parent of approximately HK\$47.5 million for the three months ended 30th September 2014 (for the three months ended 30th September 2013: approximately HK\$25.0 million). This profit was mainly attributable to the increase in other revenue and net income of the Group in the third quarter of 2014.

FINANCIAL AND BUSINESS REVIEW (Continued)

References are made to the announcements of the Company dated 30th January 2013, 4th February 2013, 18th March 2013, 27th March 2013, 27th September 2013, 11th October 2013, 23rd October 2013, 28th October 2013, 15th November 2013, 2nd January 2014, 2nd April 2014 and 27th October 2014 and the circular dated 28th February 2013 and the Circular in relation to, inter alia, the Settlement Agreement, the Final Settlement Agreement, the Guarantee, the Agreement, the Proposed Disposal, the Proposed Repurchase(s) and the Major Transaction in relation to the New Disposal Mandate (as such capitalised terms are defined in the Circular). On 2nd January 2014, being the final payment date of the Agreement, 華浩信聯(北京)投資有限公司 (Hua Hao Xin Lian (Beijing) Investment Co., Ltd.*), had fully paid the total consideration in accordance with the terms of the Agreement. The repurchase period commenced on 2nd January 2014 and ended on 2nd April 2014. On 2nd April 2014, the Group had repurchased 41 million Ping An Shares at the price of RMB37.29 per share pursuant to the Agreement and completed the Repurchase(s) in accordance with the requirements under the Agreement during the repurchase period. On 24th October 2014, the Company was informed by JLB Group that Golden Yuxing had made its final payment of RMB150 million (equivalent to approximately HK\$189.4 million) as the remaining Settlement Fee under the Final Settlement Agreement, therefore the Settlement Fee had been fully paid and the Company's obligation under the Guarantee had ceased. Further, on 30th October 2014, the pledge of 6 million Ping An Shares provided by JI in favour of the Company under the Agreement had also been released in accordance with the terms of the Agreement.

BUSINESS PROSPECT

The global IPTV market reaches a mature stage. In order to acquire more sophisticated competitive advantages, the Group has to keep upgrading its products. Being one of the initial 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 capability, will change the traditional model by working hard on exploring the linkage of internet and television, to achieve a better performance in the near future.

BUSINESS PROSPECT (Continued)

Regarding its investment business, the Group will continue focusing on the convergence of television, telecom and internet field. This field is 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. On the other hand, the Group's secondary market investment strategy will continue, based on the value investment, selecting 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.

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

As at 30th September 2014, 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:

Long positions in the shares of the Company

Name of Director	Nature of interests	Number of ordinary shares	Capacity	Percentage of the issued share capital of the Company
Mr. Zhu Wei Sha	Corporate (Note)	660,000,000	Interest of a controlled corporation	36.83%
	Personal	300,000	Beneficial owner	0.02%
Mr. Chen Fu Rong	Corporate (Note)	660,000,000	Interest of a controlled corporation	36.83%
Mr. Shi Guang Rong	Personal	25,060,000	Beneficial owner	1.40%
Mr. Zhu Jiang	Personal	7,926,756	Beneficial owner	0.44%
Mr. Wang An Zhong	Personal	6,736,756	Beneficial owner	0.38%
Mr. Zhong Peng Rong	Personal	1,600,000	Beneficial owner	0.09%
Mr. Wu Jia Jun	Personal	1,600,000	Beneficial owner	0.09%
Ms. Shen Yan	Personal	960,000	Beneficial owner	0.05%

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

Long positions in the shares of the Company (Continued)

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.

Save as disclosed above, none of the Directors or chief executive of the Company had, as at 30th September 2014, 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 2014, the following is a list of the substantial shareholders (other than Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in the shares of the Company

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

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSEABLE UNDER THE SFO *(Continued)*

Long positions in the shares of the Company *(Continued)*

Note:

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

Save as disclosed above, as at 30th September 2014, 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 2014.

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 2014.

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.

CORPORATE GOVERNANCE PRACTICES *(Continued)*

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 2014 and up to the date hereof:

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

AUDIT COMMITTEE

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

AUDIT COMMITTEE *(Continued)*

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 2014 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 LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the nine months ended 30th September 2014.

SECURITIES TRANSACTIONS BY THE DIRECTORS

Although the Company has not adopted any code of conduct regarding the Directors' securities transactions, it has made specific enquiry with all Directors and all Directors have confirmed that they have complied with all the required standard of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules during the nine months ended 30th September 2014.

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

Hong Kong, 12th November 2014

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.