



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

First Quarterly Report
2015

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

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

HIGHLIGHTS FOR THE THREE-MONTH PERIOD

Profit attributable to owners of the parent for the three months ended 31st March 2015 amounted to approximately HK\$5.6 million (for the three months ended 31st March 2014: loss attributable to owners of the parent of approximately HK\$297.8 million). This profit was mainly came from the substantial increase in the realised and unrealised gains on financial assets at fair value through profit or loss of approximately HK\$107.1 million for the three months ended 31st March 2015 (for the three months ended 31st March 2014: realised gains of approximately HK\$7.9 million), although the Group recognised the non-cash expenses of totaling approximately HK\$74.9 million arising from the grant of share options and share awards by the Company to employees during the period under review.

For the three months ended 31st March 2015, overall turnover and gross profit of the Group have decreased by 34.2% and 45.1% to approximately HK\$81.9 million and HK\$7.6 million, respectively as compared with the corresponding period last year.

Basic earnings per share for the three months ended 31st March 2015 was HK0.3 cent (for the three months ended 31st March 2014: basic loss per share HK16.6 cents).

Total equity attributable to owners of the parent as at 31st March 2015 was approximately HK\$2,424.1 million (as at 31st December 2014: approximately HK\$2,315.9 million) or net assets per share of HK\$1.4 (as at 31st December 2014: HK\$1.3). Therefore, the net assets per share increased by HK\$0.1 as compared with the year end of last year.

The Board does not recommend the payment of any interim dividend for the three months ended 31st March 2015 (for the three months ended 31st March 2014: Nil).

THREE-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 three months ended 31st March 2015, together with the comparative unaudited figures for the corresponding period in 2014, prepared in accordance with generally accepted accounting principles in Hong Kong, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the three months ended 31st March 2015

		For the three months ended 31st March	
	Notes	2015 HK\$'000	2014 HK\$'000
Turnover	2	81,887	124,375
Cost of sales		(74,325)	(110,613)
Gross profit		7,562	13,762
Other revenue and net income		118,592	11,886
Distribution and selling expenses		(3,247)	(2,923)
General and administrative expenses		(97,025)	(18,781)
Other operating expenses		(14,026)	(21,422)
Change in fair value of derivative financial instruments in connection with Repurchase(s)		—	(277,577)
Profit/(Loss) from operations		11,856	(295,055)
Finance costs		(8,043)	(2,426)
Share of results of an associate		(28)	—
Profit/(Loss) before taxation		3,785	(297,481)
Taxation	3	—	(17)
Profit/(Loss) for the period		3,785	(297,498)
Profit/(Loss) attributable to:			
Owners of the parent	4	5,563	(297,846)
Non-controlling interests		(1,778)	348
		3,785	(297,498)
Earnings/(Loss) per share	4		
– Basic		0.31 cent	(16.62) cents
– Diluted		0.31 cent	(16.62) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months ended 31st March 2015

	For the three months ended 31st March	
	2015	2014
	HK\$'000	HK\$'000
Profit/(Loss) for the period	3,785	(297,498)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Change in fair value of available-for-sale financial assets	20,551	10,662
Exchange differences arising on translation of PRC subsidiaries	(1,909)	(2,393)
Other comprehensive income for the period	18,642	8,269
Total comprehensive income/(loss) for the period	22,427	(289,229)
Total comprehensive income/(loss) attributable to:		
Owners of the parent	24,205	(289,577)
Non-controlling interests	(1,778)	348
	22,427	(289,229)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 31st March 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 reserve HK\$'000	Share option reserves HK\$'000	Investment revaluation reserves HK\$'000	Convertible bond reserve HK\$'000	Property revaluation reserves HK\$'000	Transition 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)	1,682,757	2,315,908	10,786	2,326,694
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	5,863	5,863	(1,778)	3,785
Other comprehensive income:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-	20,551	-	-	-	-	-	20,551	-	20,551
Exchange differences arising on translation of RMC subsidiaries	-	-	-	-	-	-	-	-	-	(1,909)	-	-	-	(1,909)	-	(1,909)
Total other comprehensive income	-	-	-	-	-	-	-	20,551	-	(1,909)	-	-	-	18,642	-	18,642
Total comprehensive income for the period	-	-	-	-	-	-	-	20,551	-	(1,909)	-	-	5,863	24,205	(1,778)	22,427
Transactions with owners:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions and distributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Shares purchased for share award scheme	-	-	(436)	-	-	-	-	-	-	-	-	-	-	(436)	-	(436)
Equity-settled share based payment	-	-	-	-	-	38,200	-	-	-	-	-	-	-	38,200	-	38,200
Vesting of shares of share award scheme	-	24,214	14,066	-	-	(38,200)	-	-	-	-	-	-	-	-	-	-
Issue of convertible bonds	-	-	-	-	-	-	-	-	9,558	-	-	-	-	9,558	-	9,558
Total transactions with owners	-	24,214	13,630	-	-	-	-	-	9,558	-	-	-	-	83,984	-	83,984
As at 31st March 2015	44,803	81,479	(14,829)	8,668	234,621	-	36,582	263,501	9,558	16,023	76,484	(1,113)	1,688,220	2,624,097	9,008	2,633,105

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

For the three months ended 31st March 2015

	Attributable to owners of the parent															
	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 reserve HK\$'000	Share option reserves HK\$'000	Investment revaluation reserves HK\$'000	Convertible bond reserve 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	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	-	-	-	-	-	-	-	-	-	-	-	-	(297,846)	(297,846)	348	(297,498)
Other comprehensive income:																
Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-	10,662	-	-	-	-	-	10,662	-	10,662
Exchange differences arising on translation of PRC subsidiaries	-	-	-	-	-	-	-	-	-	(2,393)	(2,393)	-	-	(2,393)	-	(2,393)
Total other comprehensive income	-	-	-	-	-	-	-	10,662	-	(2,393)	(2,393)	-	-	8,269	-	8,269
Total comprehensive loss for the period	-	-	-	-	-	-	-	10,662	-	(2,393)	(2,393)	-	(297,846)	(289,577)	348	(289,229)
As at 31st March 2014	44,803	57,265	-	8,668	234,621	-	-	10,662	-	-	76,971	(1,113)	1,423,505	1,855,382	11,454	1,866,836

NOTES:

1. **Basis of preparation**

The Group's unaudited condensed consolidated financial statements for the three months ended 31st March 2015 have been prepared in accordance with Hong Kong Accounting Standards issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") and the 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 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-sale financial assets, which are measured at fair value.

At the date of authorisation of these unaudited condensed consolidated financial statements, the HKICPA has issued a number of new/revised Hong Kong Financial Reporting Standards ("HKFRSs") that are not yet effective for the current period, which the Group has not early adopted. The Group is in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the Group's consolidated financial statements.

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 to profit or loss represents:

	For the three months ended 31st March	
	2015	2014
	HK\$'000	HK\$'000
PRC enterprise income tax	<u> -</u>	<u> 17</u>

No PRC enterprise income tax has been provided for the three months ended 31st March 2015 (for the three months ended 31st March 2014: approximately HK\$17,000) as the Group did not have any assessable profit from the PRC for the period. 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 three months ended 31st March 2015 and 2014 based on existing legislation, interpretations and practices in respect thereof. Two operating subsidiaries (for the three months ended 31st March 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 (for the three months ended 31st March 2014: Nil) of the Company has been officially designated by the local tax authority as "Participant of Development in Western China" for the three months ended 31st March 2015. As a result, the preferential tax rate for these subsidiaries is 15% (for the three months ended 31st March 2014: 15%) for the three months ended 31st March 2015.

No Hong Kong Profits Tax has been provided for the three months ended 31st March 2015 and 2014 as the Group did not have any assessable profit from Hong Kong for both periods.

4. Earnings/(Loss) per share

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

	For the three months ended 31st March	
	2015	2014
	HK\$'000	HK\$'000
Profit/(Loss) attributable to owners of the parent	5,563	(297,846)
	1,792,117	1,792,117
	29,136	N/A
Weighted average number of ordinary shares for diluted earnings/(loss) per share	1,821,253	1,792,117
Earnings/(Loss) per share:		
– Basic	0.31 cent	(16.62) cents
– Diluted (Note)	0.31 cent	(16.62) cents

Note:

The calculation of diluted earnings per share for the three months ended 31st March 2015 is based on the profit attributable to owners of the parent of approximately HK\$5,563,000, and the weighted average number of ordinary shares issued during the period of approximately 1,792,117,000 after adjusting for the number of dilutive potential ordinary shares arising from the outstanding share options granted under the Company's share option scheme. However, the conversion of convertible bonds are not considered in the effect of dilution as the conversion of convertible bonds outstanding had an anti-dilutive effect on the basic earnings per share during the period.

Diluted loss per share is the same as the basic loss per share for the three months ended 31st March 2014 because there was no potential dilutive share outstanding during the period.

RESERVES

Movements in the reserves of the Group during the three months ended 31st March 2015 (the "Period") are set out in the unaudited condensed consolidated statement of changes in equity of the financial statements.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the three months ended 31st March 2015 (for the three months ended 31st March 2014: Nil).

FINANCIAL AND BUSINESS REVIEW

After thirteen 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, the Group's overall turnover and gross profit amounted to approximately HK\$81.9 million and HK\$7.6 million, respectively for the Period, representing a decrease of 34.2% and 45.1%, respectively as compared with the same period of last year. This decrease in overall turnover of the Group was mainly attributable to the weakened order procurement sentiment of the PRC and Hong Kong customers in the first quarter of 2015 which has contributed to a softened demand for the Group's products. As a result, the Group's turnover from the PRC and Hong Kong markets for the Period decreased by 64.6% and 9.9% to approximately HK\$30.3 million and HK\$7.3 million, respectively as compared with the same period of last year.

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, Anhui Province, Jilin Province, Jiangsu Province and Tianjin Municipalities, etc. The operator 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 first quarter of 2015 and the further market competition, this led to a 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 overall turnover of the Group in the PRC market for the Period decreased by 64.6% to approximately HK\$30.3 million as compared with the same period of last year.

In overseas market, the Group's products provided quality new entertainment experience to the end users not only in the IPTV sector, but also in the music and video sector. Meanwhile, the Group 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 and Czechoslovakia, etc. At the same time, the Group was actively exploring new markets in Africa, the United Kingdom, Germany and Denmark, 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 165.0% to approximately HK\$41.6 million as compared with the same period of last year. Consequently, overall overseas turnover for the Period increased significantly by 43.7% to approximately HK\$44.3 million 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 this Hong Kong customer in the first quarter of 2015, resulting in the Group's turnover in Hong Kong market to decrease by 9.9% to approximately HK\$7.3 million for the Period as compared with the same period of last year.

FINANCIAL AND BUSINESS REVIEW (Continued)

Although the decrease of the Group's overall turnover, the Group's selling expenses for the Period increased by 11.1% to approximately HK\$3.2 million as compared with the same period of last year. At the same time, the Group's general and administrative expenses for the Period significantly increased to approximately HK\$97.0 million as compared with the corresponding period in 2014. This significantly increased in general and administrative expenses for the Period was mainly due to the non-cash expenses of totaling approximately HK\$74.9 million (for the three months ended 31st March 2014: HK\$Nil) arising from the grant of share options and share awards by the Company to employees. Moreover, interest expenses of approximately HK\$6.0 million was recorded for the Period in respect of the convertible bonds issued by the Company (for the three months ended 31st March 2014: HK\$Nil), which caused the finance costs of the Group to significantly increase to approximately HK\$8.0 million for the Period (for the three months ended 31st March 2014: approximately HK\$2.4 million).

The main reason for the significant increase in the Group's other revenue and net income to approximately HK\$118.6 million for the Period (for the three months ended 31st March 2014: approximately HK\$11.9 million) was mainly attributable to the realised and unrealised gains on financial assets at fair value through profit or loss totaling approximately HK\$107.1 million for the Period (for the three months ended 31st March 2014: realised gains of approximately HK\$7.9 million).

Other operating expenses decreased to approximately HK\$14.0 million for the Period (for the three months ended 31st March 2014: approximately HK\$21.4 million). The main reason was that the Group recorded the reduction in the exchange losses from its Renminbi bank deposits and unrealised losses on financial assets at fair value through profit or loss to approximately HK\$11.6 million and HK\$Nil, respectively for the Period (for the three months ended 31st March 2014: approximately HK\$15.3 million and HK\$2.9 million, respectively).

As a result of the foregoing, the Group recorded a profit attributable to owners of the parent of approximately HK\$5.6 million for the Period, while the Group recorded a loss attributable to owners of the parent of approximately HK\$297.8 million in the same period of last year.

FINANCIAL AND BUSINESS REVIEW *(Continued)*

As for investment business, based on the principles of scientific analysis and prudent determination, the Group mainly focused on some 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 some 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 such, the Group recorded the realised and unrealised gains on financial assets at fair value through profit or loss of totaling approximately HK\$107.1 million for the Period.

Fundraising Activities

Issue of Convertible Bonds

On 30th January 2015 (the “Bond Issue Date”), the Company issued convertible bonds in the principal amount of approximately HK\$466.0 million (the “Convertible Bonds”) to Yue Xiu Great China Fixed Income Fund LP (“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 at a conversion price of HK\$1.3 per share (subject to adjustments) for the maximum number of 358,423,360 conversion shares. The conversion period commenced from the 91st day after the Bond Issue Date and will end on the Bond Maturity Date.

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.

FINANCIAL AND BUSINESS REVIEW *(Continued)*

Fundraising Activities *(Continued)*

Issue of Convertible Bonds (Continued)

As at the date of this report, the convertible bondholder has not exercised its rights to convert the Convertible Bonds into shares of the Company. For details of the Convertible Bonds, please refer to the Company's announcements dated 23rd December 2014 and 30th January 2015, respectively.

BUSINESS PROSPECT

The global IPTV market reaches a mature stage. 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 ("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, the Group has to keep continuing upgrading its products and also actively develops new products to adopt to new market opportunities. The Group plans to launch a "Lao 9" intelligent OTT STB in the second quarter of this year, which is self researched and developed by the Group. Such new product has unique home style and remote video sharing function and it aims to create the best user experience in the similar products. 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 IHA 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 focusing on home living Internet field and security cloud field based on the development of the convergence of computer, communication and consumer electronics, intelligent Internet and security technology. 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 31st March 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 for 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 Directors	Nature of interests	Number of ordinary shares	Capacity	Percentage to the total issued share capital of the Company
Mr. Zhu Wei Sha	Corporate (Note)	660,000,000	Interest of a controlled corporation	36.83%
	Personal	300,000	Beneficial owner	0.02%
Mr. Chen Fu Rong	Corporate (Note)	660,000,000	Interest of a controlled corporation	36.83%
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	1,212,000	Beneficial owner	0.07%
Ms. Shen Yan	Personal	524,000	Beneficial owner	0.03%

Note:

Messrs. Zhu Wei Sha and Chen Fu Rong held these shares through Super Dragon Co., Ltd. (“Super Dragon”), a company in which Messrs. Zhu Wei Sha and Chen Fu Rong held 63.6% and 36.4% of the entire issued share capital, respectively. Both Mr. Zhu Wei Sha and Mr. Chen Fu Rong are directors of Super Dragon.

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

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

Pursuant to the share option scheme approved by the shareholders of the Company (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 31st March 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				
				As at 1st January 2015	Exercised during the period	Granted during the period	Forfeited during the period	As at 31st March 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

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

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

Details of the above share options granted by the Company are set out under the heading "Share Option Scheme" below.

Save as disclosed above, none of the Directors or chief executive of the Company had, as at 31st March 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 31st March 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
Super Dragon <i>(Note 1)</i>	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)

(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\$	Maximum number of the total underlying shares	Percentage to the total issued share capital of the Company
Yue Xiu (Note 2)	466,000,000 (Note 3)	358,423,360	20%

Notes:

1. 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.
2. 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 Mr. Chen Keli on 5th February 2015, Guangzhou Yue Xiu and Mr. Chen Keli are also deemed to be interested in such Convertible Bonds of the Company under the SFO.
3. The Convertible Bonds were issued by the Company to Yue Xiu on 30th January 2015 in the principal amount of approximately HK\$466.0 million. 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 31st March 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.

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, administrating 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.

During the three months ended 31st March 2015, the Company has granted a total of 11.0 million awarded shares to certain Selected Employees. The fair value of these awarded shares was determined by reference to closing price of the Company’s ordinary shares on the grant date. For the three months ended 31st March 2015, the Group recognised the non-cash share-based compensation expenses of approximately HK\$38.3 million (for the three months ended 31st March 2014: HK\$Nil) with a corresponding credit to share-based compensation reserve.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Scheme”) pursuant to the ordinary resolutions passed by 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 fresh 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.

SHARE OPTION SCHEME (Continued)

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				
				As at 1st January 2015	Exercised during the period	Granted during the period	Forfeited during the period	As at 31st March 2015
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
Employees and other eligible participants								
Employees and other eligible participants	16th January 2015	2.2	16th January 2015 – 15th January 2020	-	-	84,442,776	-	84,442,776
				-	-	107,527,008	-	107,527,008

* Options granted to the Directors, employees and other eligible participants are subject to vesting conditions.

SHARE OPTION SCHEME (Continued)

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 Stock Exchange on the trading day immediately before the date on which the share options were granted.

Save as disclosed above, at the date of approval of these unaudited condensed consolidated financial statements for the three months ended 31st March 2015, no other share options were 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 (for the three months ended 31st March 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 three months ended 31st March 2015, the Group recognised the non-cash share option expenses of approximately HK\$36.6 million (for the three months ended 31st March 2014: HK\$Nil) with a corresponding credit to share option reserve.

COMPETING INTERESTS

None of the Directors or management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has an 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 three months ended 31st March 2015.

CORPORATE GOVERNANCE CODE

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

The Group has adopted a set of Code on Corporate Governance ("Company Code") which sets out the corporate standards and practices used by the Group to direct and manage its business affairs. It is prepared by making reference to the principles, code provisions and recommended best practices set out in the Corporate Governance Code ("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 the Shareholders and comply with the GEM Code and the GEM Listing Rules.

CORPORATE GOVERNANCE CODE *(Continued)*

Subject to the deviation as disclosed hereof, the Company has complied with all the provisions of the GEM Code for the three months ended 31st March 2015 up to the date hereof:

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

AUDIT COMMITTEE

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

The primary duties of the audit committee are to review and supervise the financial reporting process of the Group. It also reviews the effectiveness of both the external audit and of 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 audit committee).

The Group's unaudited condensed consolidated results for the three months ended 31st March 2015 have been reviewed by the audit committee pursuant to the relevant provisions contained in the GEM Code and was of the opinion that the preparation of such statements complied with applicable accounting standards and that adequate disclosure 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 three months ended 31st March 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 approximately 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 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 three months ended 31st March 2015.

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

Hong Kong, 12th May 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; the independent non-executive Directors are Mr. Wu Jia Jun, Mr. Zhong Peng Rong and Ms. Shen Yan.