



# 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)

## QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31ST MARCH 2016

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

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

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

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*This announcement, for which the directors 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 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 this announcement or any statement in this announcement misleading.*

\* For identification purposes only



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## QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31ST MARCH 2016

### HIGHLIGHTS FOR THE THREE-MONTH PERIOD

- For the three months ended 31st March 2016, overall revenue and gross profit of the Group have significantly increased by 18.3% and 114.5% to approximately HK\$96.9 million and HK\$16.2 million, respectively as compared with the corresponding period of last year.
- Gross profit margin of the Group has improved to 16.7% for the three months ended 31st March 2016 (three months ended 31st March 2015: 9.2%).
- Loss attributable to owners of the Company for the three months ended 31st March 2016 amounted to approximately HK\$91.4 million (three months ended 31st March 2015: profit attributable to owners of the Company of approximately HK\$5.6 million). This loss mainly came from the net losses on financial assets at fair value through profit or loss of approximately HK\$75.8 million recorded by the Group for the three months ended 31st March 2016 (three months ended 31st March 2015: net gains of approximately HK\$107.1 million).
- Basic loss per share for the three months ended 31st March 2016 was HK5.1 cents (three months ended 31st March 2015: basic earnings per share HK0.3 cent).
- Total equity attributable to owners of the Company as at 31st March 2016 was approximately HK\$1,971.8 million (31st December 2015: approximately HK\$2,122.7 million) or net assets per share of HK\$1.1 (31st December 2015: HK\$1.2).
- The Board does not recommend the payment of any interim dividend for the three months ended 31st March 2016 (three months ended 31st March 2015: 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 2016, together with the comparative unaudited figures for the corresponding period in 2015, 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 2016*

		For the three months ended 31st March	
	Notes	2016 HK\$'000	2015 HK\$'000
Revenue	2	96,851	81,887
Cost of sales		(80,634)	(74,325)
Gross profit		16,217	7,562
Other revenue and net income		4,219	118,592
Distribution and selling expenses		(3,928)	(3,247)
General and administrative expenses		(26,601)	(97,025)
Other operating expenses		(78,914)	(14,026)
(Loss)/Profit from operations		(89,007)	11,856
Finance costs		(2,384)	(8,043)
Share of results of an associate		–	(28)
(Loss)/Profit before tax		(91,391)	3,785
Income tax expenses	3	–	–
(Loss)/Profit for the period		<u>(91,391)</u>	<u>3,785</u>
<b>(Loss)/Profit attributable to:</b>			
Owners of the Company	4	(91,394)	5,563
Non-controlling interests		3	(1,778)
		<u>(91,391)</u>	<u>3,785</u>
(Loss)/Earnings per share	4		
– Basic		(5.07) cents	0.31 cent
– Diluted		(5.07) cents	0.31 cent

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

*For the three months ended 31st March 2016*

	<b>For the three months ended 31st March</b>	
	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
(Loss)/Profit for the period	<b>(91,391)</b>	3,785
Other comprehensive (loss)/income:		
Items that may be reclassified subsequently to profit or loss:		
Change in fair value of available-for-sale financial assets	<b>(66,067)</b>	20,551
Exchange differences arising on translation of PRC subsidiaries	<b>2,283</b>	(1,909)
Other comprehensive (loss)/income for the period	<b>(63,784)</b>	18,642
Total comprehensive (loss)/income for the period	<b>(155,175)</b>	22,427
<b>Total comprehensive (loss)/income attributable to:</b>		
Owners of the Company	<b>(155,178)</b>	24,205
Non-controlling interests	<b>3</b>	(1,778)
	<b>(155,175)</b>	22,427

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 31st March 2016

	Attributable to owners of the Company															
	Share capital	Share premium	Shares held for share award scheme	Statutory reserves	Contributed surplus	Share-based compensation reserves	Share option reserves	Investment revaluation reserves	Convertible bond reserves	Property revaluation reserves	Translation reserves	Other reserves	Retained profits	Sub total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1st January 2016	45,036	128,416	-	8,668	234,621	-	57,655	190,041	-	16,023	54,348	(1,113)	1,389,024	2,122,719	1,073	2,123,792
<b>Loss for the period</b>	-	-	-	-	-	-	-	-	-	-	-	-	(91,394)	(91,394)	3	(91,391)
<b>Other comprehensive loss:</b>																
Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-	(66,067)	-	-	-	-	-	(66,067)	-	(66,067)
Exchange differences arising on translation of PRC subsidiaries	-	-	-	-	-	-	-	-	-	-	2,283	-	-	2,283	-	2,283
<b>Total other comprehensive loss</b>	-	-	-	-	-	-	-	(66,067)	-	-	2,283	-	-	(63,784)	-	(63,784)
<b>Total comprehensive loss for the period</b>	-	-	-	-	-	-	-	(66,067)	-	-	2,283	-	(91,394)	(155,178)	3	(155,175)
<b>Transactions with owners:</b>																
<i>Contributions and distributions</i>																
Equity-settled share based payment	-	-	-	-	-	-	4,213	-	-	-	-	-	-	4,213	-	4,213
<b>Total transactions with owners</b>	-	-	-	-	-	-	4,213	-	-	-	-	-	-	4,213	-	4,213
<b>As at 31st March 2016</b>	<b>45,036</b>	<b>128,416</b>	<b>-</b>	<b>8,668</b>	<b>234,621</b>	<b>-</b>	<b>61,868</b>	<b>123,974</b>	<b>-</b>	<b>16,023</b>	<b>56,631</b>	<b>(1,113)</b>	<b>1,297,630</b>	<b>1,971,754</b>	<b>1,076</b>	<b>1,972,830</b>
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
<b>Profit for the period</b>	-	-	-	-	-	-	-	-	-	-	-	-	5,563	5,563	(1,778)	3,785
<b>Other comprehensive income:</b>																
Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-	20,551	-	-	-	-	-	20,551	-	20,551
Exchange differences arising on translation of PRC subsidiaries	-	-	-	-	-	-	-	-	-	-	(1,909)	-	-	(1,909)	-	(1,909)
<b>Total other comprehensive income</b>	-	-	-	-	-	-	-	20,551	-	-	(1,909)	-	-	18,642	-	18,642
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	-	20,551	-	-	(1,909)	-	5,563	24,205	(1,778)	22,427
<b>Transactions with owners:</b>																
<i>Contributions and distributions</i>																
Shares purchased for share award scheme	-	-	(436)	-	-	-	-	-	-	-	-	-	-	(436)	-	(436)
Equity-settled share based payment	-	-	-	-	-	38,280	36,582	-	-	-	-	-	-	74,862	-	74,862
Vesting of shares of share award scheme	-	24,214	14,066	-	-	(38,280)	-	-	-	-	-	-	-	-	-	-
Issue of convertible bonds	-	-	-	-	-	-	-	-	9,558	-	-	-	-	9,558	-	9,558
<b>Total transactions with owners</b>	-	24,214	13,630	-	-	-	36,582	-	9,558	-	-	-	-	83,984	-	83,984
<b>As at 31st March 2015</b>	<b>44,803</b>	<b>81,479</b>	<b>(14,829)</b>	<b>8,668</b>	<b>234,621</b>	<b>-</b>	<b>36,582</b>	<b>263,501</b>	<b>9,558</b>	<b>16,023</b>	<b>76,484</b>	<b>(1,113)</b>	<b>1,668,320</b>	<b>2,424,097</b>	<b>9,008</b>	<b>2,433,105</b>

Notes:

1. **Basis of preparation**

The Group's unaudited condensed consolidated financial statements for the three months ended 31st March 2016 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. 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 2015. 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.

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 2015. 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. **Revenue**

Revenue, 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. **Income tax expenses**

The taxation charged to profit or loss represents:

	<b>For the three months ended</b>	
	<b>31st March</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
PRC enterprise income tax	—	—

No PRC enterprise income tax has been provided for the three months ended 31st March 2016 and 2015 as the Group did not have any assessable profit from the PRC for both periods. 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 2016 and 2015 based on existing legislation, interpretations and practices in respect thereof. One operating subsidiary (three months ended 31st March 2015: two) of the Company has been officially designated by the local tax authority as "New and High Technology Enterprise" which is exempted for part of PRC enterprise income tax. As a result, the effective tax rate for the subsidiary is 15% for the three months ended 31st March 2016 (three months ended 31st March 2015: 15%). Another operating subsidiary (three months ended 31st March 2015: one) of the Company has been officially designated by the local tax authority as "Participant of Development in Western China" which is exempted for part of PRC enterprise income tax starting from 1st January 2015 to 31st December 2017. As a result, the effective tax rate for the subsidiary is 9% for the three months ended 31st March 2016 (three months ended 31st March 2015: 9%).

No Hong Kong Profits Tax has been provided for the three months ended 31st March 2016 and 2015 as the Group did not have any assessable profit from Hong Kong for both periods.

4. **(Loss)/Earnings per share**

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

	<b>For the three months ended 31st March</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
(Loss)/Profit attributable to owners of the Company	<b>(91,394)</b>	5,563
	<b>1,801,429</b>	1,792,117
	<b>1,801,429</b>	1,821,253
	<b>(5.07) cents</b>	0.31 cent
	<b>(5.07) cents</b>	0.31 cent

*Note:*

Diluted loss per share is the same as the basic loss per share for the three months ended 31st March 2016 because the potential ordinary shares arising from the outstanding share options under the Company's share option scheme had an anti-dilutive effect on the basic loss per share during the period.

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 Company 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.

## **RESERVES**

Movements in the reserves of the Group during the three months ended 31st March 2016 (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 Period (three months ended 31st March 2015: Nil).

## **FINANCIAL AND BUSINESS REVIEW**

After more than 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 stage of market maturity. With the accumulation of technological expertise over the years and its own intermediary software platform, the Group could meet needs of different customers, finish the work of integrating with termination systems and customising end products. Products launched by the Group in the markets included standard-definition STB, high digital STB, hybrid dual mode STB, Over-the-Top TV (“OTT”)/IPTV STB, as well as STB equipped with an Android system, etc. Under the intense market competition condition, the Group is facing many opportunities as well as confronting severe challenges. During the period under review, although sales in Australia for the Period decreased by 41.4% to approximately HK\$24.4 million as compared with the same period of last year, the rebound in order procurement sentiment of the PRC customer and the first batch of OTT STB was delivered to a new customer in Hong Kong in the first quarter of 2016, contributed to a greater demand and higher gross profit margin to the Group. This resulted the Group’s revenue from the PRC and Hong Kong markets for the Period increased significantly by 69.8% and 163.4% to approximately HK\$51.2 million and HK\$19.1 million respectively as compared with the same period of last year. Consequently, the Group’s overall revenue and gross profit amounted to approximately HK\$96.9 million and HK\$16.2 million respectively for the Period, representing a remarkable increase of 18.3% and 114.5% respectively as compared with the same period of last year. The gross profit margin also reached 16.7% for the Period (three months ended 31st March 2015: 9.2%).

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. 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. Due to the rebound in the order procurement sentiment of this PRC customer in the first quarter of 2016, this led to a significant increase in both the sales quantity and selling prices of STB in the PRC as compared with the same period of last year. Therefore, the revenue of the STB of the Group for the Period in the PRC increased significantly by 69.8% to approximately HK\$51.2 million as compared with the same period of last year.

In the overseas markets, the Group keeps on maintaining 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, Czechoslovakia and Spain, etc. At the same time, the Group was actively exploring new markets in Vietnam, United Kingdom and Denmark. However, due to the demand detente from the customer in Australia, sales in Australia for the Period significantly decreased by 41.4% to approximately HK\$24.4 million as compared with the same period of last year. Consequently, overall overseas revenue decreased significantly by 40.2% to approximately HK\$26.5 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 maintains great cooperation relationship with a Hong Kong telecommunication operator in its marketing activities. In addition, the Group has started to cooperate with a Hong Kong well-known Television programme operator to assist with its expansion on OTT service in the Hong Kong market. The first batch of OTT STB was delivered to this new customer in the first quarter of 2016. As a result, the overall revenue in the Hong Kong market increased significantly by 163.4% to HK\$19.1 million for the Period as compared with the same period of last year.

With the increase of the Group's overall revenue, the Group's selling expenses for the Period increased by 21.0% to approximately HK\$3.9 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 decreased to approximately HK\$26.6 million as compared with the same period of last year. This significant decrease in general and administrative expenses for the Period was mainly due to the decrease in the non-cash expenses arising from the grant of share options and share awards by the Company to eligible participants of totaling approximately HK\$4.2 million (three months ended 31st March 2015: approximately HK\$74.9 million). No convertible bond was issued by the Company during the Period, as a result, no imputed interest expenses was recorded for the Period (three months ended 31st March 2015: approximately HK\$6.0 million), which caused the finance costs of the Group significantly decreased to approximately HK\$2.4 million for the Period (three months ended 31st March 2015: approximately HK\$8.0 million).

The main reason for the significant decrease in the Group's other revenue and net income to approximately HK\$4.2 million for the Period (three months ended 31st March 2015: approximately HK\$118.6 million) was mainly due to no gains on financial assets at fair value through profit or loss was recorded for the Period (three months ended 31st March 2015: net gains of approximately HK\$107.1 million).

Other operating expenses of the Group increased significantly to approximately HK\$78.9 million for the Period (three months ended 31st March 2015: approximately HK\$14.0 million). This increase was mainly due to the poor performance of investments portfolio of the Group amid the adverse capital market condition in the first quarter of 2016, which caused the Group recorded the net losses on financial assets at fair value through profit or loss of approximately HK\$75.8 million for the Period (three months ended 31st March 2015: HK\$Nil).

As a result of the foregoing, the Group recorded a loss attributable to owners of the Company of approximately HK\$91.4 million for the Period, while the Group recorded a profit attributable to owners of the Company of approximately HK\$5.6 million in the same period of last year.

As for the 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 products in the secondary market by taking risk control and maintaining reasonable earning expectation as investment strategy, maintenance and appreciation of asset value are the long-term investment commitments of the Group. Due to the adverse capital market conditions during the first quarter of 2016, the Group recorded the net losses on financial assets at fair value through profit or loss of approximately HK\$75.8 million for the Period (three months ended 31st March 2015: net gains of approximately HK\$107.1 million).

## **Key Risks and Uncertainties**

During the period under review, the Group endeavoured to improve the risk management system on different aspects of company strategies, business operation and finance. A number of risks and uncertainties may affect the financial results and business operations of the Group. For the information home appliance (“IHA”) business, fierce market competition in the PRC and overseas markets, the possible economic slowdown in the PRC, Renminbi exchange rate fluctuation and the increase of production cost and labour cost may bring uncertain impact on the Group’s development of this business. For the investing business, the frequent changes of market policies and regulations in relation to the PRC stock market and the unclear global economic environment would be two key risk factors. In future business operations, the Group will be highly aware of those risks and uncertainties and will proactively adopt effective measures to tackle such risks and uncertainties.

## **Environmental Policies and Performance**

The Group is committed to building an environmental-friendly corporation and always takes the environmental protection issue into consideration during daily operation. The Group does not lead to produce material waste nor emit material quantities of air pollution materials during its production and manufacturing process. The Group also strives to minimise environmental adverse impact by encouraging the employees to recycle office supplies and other materials and to save electricity.

## **Compliance with Laws and Regulations**

The operations of the Group are mainly carried out by the Company’s subsidiaries in the PRC and Hong Kong and the Company was listed on the Exchange in 2000. As such, the Group’s assets and operations shall comply with relevant laws and regulations both in the PRC and Hong Kong accordingly. During the period under review, the Group has complied with all the relevant laws and regulations applicable to it in all material respects in the PRC and Hong Kong. The Group shall continue to keep itself updated with the requirements of the relevant laws and regulations both in the PRC and Hong Kong, and apply to it to ensure the compliance.

## **BUSINESS PROSPECT**

The global IPTV market has reached a mature stage, especially the PRC market which is in a steadily growing status. The Group requires the continuous improvement of its products in order to obtain a stronger competitive advantage. Being one of the earliest companies developing in broadband STB in the world, the Group, with efforts in this field for 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 develop new products to adopt to new market opportunities. The Group expects its STB business to achieve a better performance in the near future.

Regarding its investment business, the Group will focus on investing the IPTV related industries and the convergence of television, telecom and Internet fields. These fields contain emerging 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 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 the value investment, selecting lower risk investment products and maintain reasonable earning expectation. Maintenance and appreciation of asset value are still the long-term investment commitments of the Group.

The Group will continue to explore new investment opportunities in the global markets and consider to identify and review a wide range of suitable mergers and acquisitions to create values and bring profits to the Group in the near future.

## SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Share Option Scheme”) pursuant to the ordinary resolutions passed by the shareholders of the Company (“Shareholders”) at the special general meeting (“SGM”) on 14th January 2015 (the “Option Adoption Date”). The Share Option 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 Share Option 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 Share Option Scheme together with any share options outstanding and yet to be exercised under the Share Option 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 Share Option 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 Directors, chief executive officer, employees, suppliers of goods or services and other eligible participants under the Share Option 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 31st March 2016
				Outstanding as at 1st January 2016	Granted during the period	Exercised during the period	Forfeited during the period	
<b>Directors</b>								
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

Category	Date of grant	Exercise price per share HK\$	Exercisable period*	Number of shares issuable under the share options				Outstanding as at 31st March 2016
				Outstanding as at 1st January 2016	Granted during the period	Exercised during the period	Forfeited during the period	
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
<b>Chief Executive Officer</b>								
Mr. Kevin Choo	16th January 2015	2.2	16th January 2015 – 15th January 2020	8,000,000	-	-	-	8,000,000
Continuous contract employees	16th January 2015	2.2	16th January 2015 – 15th January 2020	59,210,776	-	-	(406,000)	58,804,776
Suppliers of goods or services	16th January 2015	2.2	16th January 2015 – 15th January 2020	1,920,000	-	-	-	1,920,000
Other eligible participants	16th January 2015	2.2	16th January 2015 – 15th January 2020	6,000,000	-	-	-	6,000,000
				98,215,008	-	-	(406,000)	97,809,008

\* Options granted to the Directors, chief executive officer, employees, suppliers of goods or services and other eligible participants are subject to vesting conditions.

Save as disclosed above, at the date of approval of these unaudited condensed consolidated financial statements for the Period, 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 and was charged as an expense over the projected vesting period being the period for which the services from the employees were rendered. The Group recognised the non-cash share option expenses of approximately HK\$4.2 million for the Period (three months ended 31st March 2015: approximately HK\$36.6 million) 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 of the Company) (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 Period, the Company did not grant any awarded shares to Selected Employees while the Company has granted a total of 11.0 million awarded shares to certain Selected Employees which caused the Group recognised the non-cash share-based compensation expenses of approximately HK\$38.3 million with a corresponding credit to share-based compensation reserve for the three months ended 31st March 2015.

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

As at 31st March 2016, 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 ( <i>Note</i> )	655,000,000	Interest of a controlled corporation	36.36%
	Personal	1,590,000	Beneficial owner	0.09%
Mr. Chen Fu Rong	Corporate ( <i>Note</i> )	655,000,000	Interest of a controlled corporation	36.36%
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	144,000	Beneficial owner	0.01%
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 April 2016 and 12th April 2016 in relation to a proposed disposal of shares in the Company by Super Dragon. Super Dragon has on 10th April 2016 entered into a sale and purchase agreement (“Sale and Purchase Agreement”) with Clouddrider Limited (the “Purchaser”), in relation to the proposed sale by Super Dragon and proposed acquisition by the Purchaser of 450,357,200 ordinary shares of the Company (“Sale Shares”) (representing 25% of the issued ordinary shares of the Company as at 31st March 2016) at HK\$2.40 per share. The Company understands that completion of the transfer of Sale Shares has not taken place as at the date of this announcement and it is expected to take place within 30 days after the effective date of Sale and Purchase Agreement subject to the receipt of the second instalment of total consideration by Super Dragon under the Sale and Purchase Agreement.

## (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 and chief executive of the Company 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 2016 were as follows:

Category	Date of grant	Exercise price per share HK\$	Exercisable period	Number of shares issuable under the share options				Outstanding as at 31st March 2016
				Outstanding as at 1st January 2016	Granted during the period	Exercised during the period	Forfeited during the period	
<b>Directors</b>								
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
<b>Chief Executive Officer</b>								
Mr. Kevin Choo	16th January 2015	2.2	16th January 2015 – 15th January 2020	8,000,000	-	-	-	8,000,000
				31,084,232	-	-	-	31,084,232

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

Save as disclosed above, none of the Directors or chief executive of the Company had, as at 31st March 2016, 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 2016, 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**

<b>Name of shareholders</b>	<b>Nature of interests</b>	<b>Number of ordinary shares</b>	<b>Capacity</b>	<b>Percentage to the total issued share capital of the Company</b>
Super Dragon ( <i>Note</i> )	Corporate	655,000,000	Beneficial owner	36.36%

#### *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. Reference is made to the announcements of the Company dated 11th April 2016 and 12th April 2016 in relation to a proposed disposal of shares in the Company by Super Dragon. Super Dragon has on 10th April 2016 entered into the Sale and Purchase Agreement with the Purchaser, in relation to the proposed sale by Super Dragon and proposed acquisition by the Purchaser of Sale Shares (representing 25% of the issued ordinary shares of the Company as at 31st March 2016) at HK\$2.40 per share. The Company understands that completion of the transfer of Sale Shares has not taken place as at the date of this announcement and it is expected to take place within 30 days after the effective date of Sale and Purchase Agreement subject to the receipt of the second instalment of total consideration by Super Dragon under the Sale and Purchase Agreement.

Save as disclosed above, as at 31st March 2016, 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 were entered into or existed during the Period.

## **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 Period.

## **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 will comply with the GEM Code and the GEM Listing Rules. The Company has complied with all the provisions of the GEM Code for the Period.

## **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 Period 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 Period.



## 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 Period.

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

Hong Kong, 13th May 2016

*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.*

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

\* *For identification purposes only*