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YUXING INFOTECH INVESTMENT HOLDINGS LIMITED

裕興科技投資控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8005)

PROPOSED ISSUE OF HK\$504,000,000 6% SECURED CONVERTIBLE BONDS DUE 2018

The Directors are pleased to announce that on 26th May 2017 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber in relation to the issue of Convertible Bonds.

Based on the initial conversion price of HK\$1.4 per Conversion Share (subject to adjustments), a maximum number of 360,000,000 Conversion Shares may be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds in full, which represent 19.97% of the existing issued share capital of the Company and 16.64% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The gross proceeds from the issue of the Convertible Bonds will be approximately HK\$504.0 million. The net proceeds from the issue of the Convertible Bonds (after deducting related expenses) of approximately HK\$499.7 million are intended to be used to fund the construction of an internet data center of the Group and for general working capital purposes.

As the Subscription Agreement is subject to conditions and may or may not complete, holders of securities of the Company and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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THE SUBSCRIPTION AGREEMENT

Date: 26th May 2017

Parties: (i) the Company, as the issuer; and
(ii) Cloud Empire Investments Limited, as the Subscriber.

Information about the Subscriber

According to the information provided by the Subscriber, the Subscriber is a company incorporated in the British Virgin Islands and an investment vehicle. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Subscriber and its ultimate beneficial owners are Independent Third Parties.

Principal amount of the Convertible Bonds

Pursuant to the Subscription Agreement, the Subscriber will subscribe for the Convertible Bonds in the aggregate principal amount of up to approximately HK\$504.0 million.

Conditions Precedent

Completion of the Subscription Agreement shall be subject to and conditional upon, among others:

1. the Shares remaining listed and traded on the GEM;
2. the Listing Committee of the Stock Exchange having granted the listing of and the permission to deal in the Conversion Shares and such approval remaining valid and effective;
3. all necessary regulatory filings, notifications and approvals to the relevant government authorities to enter into the Subscription Agreement and the Bond Instrument and perform the obligations of the Company and Yuxing Technology thereunder having being made and obtained, and such filings, notifications and approvals remaining valid and effective, and no government authority having taken or initiated any action which would prohibit the transactions contemplated under the Subscription Agreement and the Bond Instrument;
4. there having been, in the reasonable opinion of the Subscriber, no material adverse change to the Group as described in the Subscription Agreement;
5. there having been no event of default as described in the Subscription Agreement, and no such event of default would result from the proposed issue of the Convertible Bond by the Company to the Subscriber; and
6. the warranties as set out in the Subscription Agreement remaining true, accurate and not misleading in each case in accordance with their terms.

If any of the conditions precedent of the Subscription Agreement are not fulfilled nor waived on or before 10:00 a.m. on 26th August 2017 (or such later date as may be agreed between the parties thereto), the Subscription Agreement will be automatically terminated and none of the parties shall have any claim against the other save for any antecedent breaches of the provisions thereof.

Completion Date

Completion of the Subscription Agreement will take place on the date which is the third (3rd) Business Day after, and excluding, the date upon which the last of the conditions precedent of the Subscription Agreement has been satisfied or waived, or such other date as the Company and the Investor may agree in writing. The Company shall issue the Convertible Bonds in the principal amounts to the Subscriber on the Completion Date.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

Details of the principal terms of the Convertible Bonds are set out as follows:

- Issuer: The Company
- Bondholder: Cloud Empire Investments Limited
- Principal Amount of the Convertible Bonds: HK\$504.0 million
- Interest: The Convertible Bonds shall bear interest at 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 Bondholders once every six (6) months from Bond Issue Date if the Convertible Bonds are neither converted during the conversion period nor redeemed prior to the Bond Maturity Date
- Security: (i) share charge over the 7,500,000 Ping An Shares executed by the Company in favour of the Subscriber; and
(ii) share charge over the 3,000,000 Ping An Shares executed by Yuxing Technology in favour of the Subscriber
- Maturity date: The date falling on the first anniversary of the issue of the Convertible Bonds, which is extendable for another year at the request of the Company pursuant to the Subscription Agreement and agreed by the Bondholder
- Conversion price: HK\$1.4 per Conversion Share which, for the avoidance of doubt, shall be subject to customary adjustments provided in the Bond Instrument.
- The initial conversion price of HK\$1.4 per Conversion Share represents:
- (i) a premium of approximately 44.3% of the closing price of HK\$0.97 per Share as quoted on the Stock Exchange on the Last Trading Day;
 - (ii) a premium of approximately 41.4% to the average closing price of HK\$0.99 per Share as quoted on the Stock Exchange for the five (5) Trading Days of the Shares immediately prior to the Last Trading Day; and
 - (iii) a premium of approximately 32.1% to the average closing price of HK\$1.06 per Share as quoted on the Stock Exchange for the ten (10) Trading Days of the Shares immediately prior to the Last Trading Day.
- The conversion price of the Convertible Bonds was determined based on arm's length negotiations between the parties with reference to the prevailing market prices of the Shares as quoted on the Stock Exchange.

- Adjustment of the conversion price:
- The conversion price of the Convertible Bonds is subject to provisions for adjustment provided in the Bond Instrument including, among others:
- (i) the Company distributing any dividends to the Shareholders;
 - (ii) the Company issuing any Shares to the Shareholders by way of capitalization of profits or reserves;
 - (iii) there being an alteration to the nominal value of the Shares as a result of consolidation or subdivision;
 - (iv) the Company issuing, granting or offering Shares or related securities to all or substantially all of the Shareholders as a class by way of rights; and
 - (v) the Company issuing Shares at below the market price.

The Company will not take corporate actions that would result in the number of Conversion Shares exceeding the General Mandate limit.

- Conversion right:
- Provided that any conversion of the Convertible Bonds will not result in a general offer obligation being required to be made under the Takeovers Code and subject to and upon compliance with the terms and conditions under the Bond Instrument and all regulatory requirements (including without limitation the Takeovers Code and the GEM Listing Rules), the Bondholder shall have the right, at any time during the conversion period to convert the Convertible Bonds held by the Bondholder in full or in part by giving notice (such notice, once given, shall not be withdrawn without the consent in writing of the Company).

- Conversion period:
- The period commencing from the 180th day after the Bond Issue Date and ending on, and including, the earlier to occur of:
1. 5:00 p.m. on the day which is five (5) Business Days prior to the Bond Maturity Date; and
 2. if such Convertible Bonds have been called for redemption before the Bond Maturity Date in accordance with the terms and conditions of the Bond Instrument, 5:00 p.m. on the day which is five (5) Business Days prior to the applicable redemption date for such redemption in accordance with the terms and conditions of the Bond Instrument.

Conversion Shares:	<p>The Conversion Shares shall be allotted and issued pursuant to the General Mandate.</p> <p>Based on the conversion price of HK\$1.4 per Conversion Share (subject to adjustments), the Subscriber will be issued a maximum number of 360,000,000 Conversion Shares upon exercise of the conversion rights attaching to the Convertible Bonds in full, which represent 19.97% of the existing issued share capital of the Company and 16.64% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.</p>
Redemption:	<p>Unless previously redeemed, converted or purchased and cancelled, the Company shall redeem all the outstanding Convertible Bonds held by a Bondholder on the Bond Maturity Date at an amount equal to the aggregate of the aggregate principal amount of such outstanding Bond held by such Bondholder and any accrued but unpaid interest on such outstanding Convertible Bonds.</p>
Ranking:	<p>The Convertible Bonds shall constitute direct, senior, unsubordinated, unconditional and secured obligations of the Company and shall at all times rank <i>pari passu</i> and without any preference or priority among themselves.</p>
Transferability:	<p>The Convertible Bonds may only be transferable in integral multiples of HK\$1,000,000 in compliance with the terms and conditions of the Bond Instrument.</p> <p>The Convertible Bonds may not be assigned or transferred without the prior written consent of the Company including without limitation a transfer to a competitor of the Group and/or a connected person of the Company and any such assignment and/or transfer of the Convertible Bonds is subject to compliance with the requirements of the GEM Listing Rules and all applicable laws and regulations.</p>
Listing:	<p>The Convertible Bonds will not be listed on the Stock Exchange or any other stock exchange.</p>
Covenants in relation to the Conversion rights:	<p>So long as any Convertible Bonds shall remain convertible the Company shall, among others, except with the prior written approval of the Bondholders holding more than 50% of the then outstanding principal amount of the Convertible Bonds:</p> <ul style="list-style-type: none"> (i) pay all the expenses in relation to the issue of and obtaining a listing for the Conversion Shares on the Stock Exchange; (ii) maintain the listing of its Shares on the Stock Exchange. The Company will comply with applicable rules of and any undertakings given by it to the Stock Exchange (or any other relevant authority or authorities) in connection with the listing of any Shares on the Stock Exchange;

- (iii) keep available, free from pre-emptive or other rights, out of its authorised but unissued Shares, such number of Shares as would be required to be issued upon conversion of all the Convertible Bonds from time to time remaining unexercised and to satisfy in full all other rights of exercise, conversion into or exchange or subscription for Shares and shall ensure that all Shares to be issued upon the exercise of all the Convertible Bonds will be duly and validly issued as fully paid and free from any encumbrance and rank at least *pari passu* with all other Shares then in issue. If at any time the number of authorised but unissued Shares shall not be sufficient to effect the conversion rights as described in the terms and conditions of the Bond Instrument in full, the Company will take such corporate action as may be necessary to increase its authorised but unissued Shares to such number of Shares as shall be sufficient for such purpose;
- (iv) not take any action which would result in an adjustment of the conversion price if, after giving effect thereto, the conversion price would be decreased to such an extent that the Shares to be issued on conversion of any Convertible Bonds could not, under any applicable laws then in effect, be legally issued as fully paid;
- (v) obtain and/or maintain all applicable consents and approvals which are required for the performance of its obligations under the Bond Instrument and will not take any action for the purpose of avoiding or seeking to avoid the performance of any of the terms to be observed or performed under the terms and conditions of the Bond Instrument;
- (vi) ensure that the Conversion Shares to be issued upon the conversion of all the Convertible Bonds will rank at least *pari passu* with all other Shares then outstanding, free and clear of all encumbrances;
- (vii) not do anything which would, or could be reasonably expected to, result in Shares being issued to the Bondholders at a discount to their nominal value;
- (viii) provide as soon as reasonably practicable to the Bondholders all material information provided to its Shareholders subject to the requirements of the applicable laws;
- (ix) procure that the Company and the subsidiaries of the Group will not, make any reduction of its ordinary share capital or any uncalled liability in respect thereof or of any share premium account or capital redemption reserve fund (except, in each case, as required by the applicable laws);
- (x) procure that no securities of the Company are converted into or exchanged for Shares, and that no rights or warrants to subscribe for or purchase Shares are exercised; and

- (xi) ensure that the creation, allotment and issuance by the Company of the Convertible Bonds and the Conversion Shares remain authorised in accordance with the General Mandate, provided that if there is an adjustment to the conversion price which results in an increase in the number of Conversion Shares, the Company shall ensure that the creation, allotment and issuance by the Company of all such additional Conversion Shares will remain authorised in accordance with any applicable general or specific mandate from the shareholders of the Company, in accordance with the Listing Rules and no extraordinary shareholders' approval of the Company shall be required for the creation, issuance or allotment of the Convertible Bonds or the Conversion Shares.

Event of Default: The Bond Instrument contain events of default provisions which provide that on the occurrence of certain events of default specified in the Bond Instrument, each Bondholder shall, during the continuance of such specified events of default, have the right at its sole opinion to require the Company to redeem the Convertible Bonds in full at an amount calculated pursuant to the Bond Instrument.

GENERAL MANDATE

By a resolution of the Shareholders passed at the annual general meeting of the Company on 25th May 2016, the Company granted the General Mandate to the Directors to allot and issue not more than 360,305,760 Shares. As at the date of this announcement, the Company is entitled to issue up to 360,305,760 Shares under the General Mandate. The Conversion Shares will be allotted and issued under the General Mandate and no Shareholders' approval is therefore required.

APPLICATION FOR LISTING

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

REASONS FOR THE ISSUE OF CONVERTIBLE BONDS AND USE OF PROCEEDS

The Company and its subsidiaries is a conglomerate which combines commercial enterprise with investments and is currently mainly engaged in information home appliances, investing and leasing.

The gross proceeds from the issue of the Convertible Bonds will be approximately HK\$504.0 million. The net proceeds from the issue of the Convertible Bonds (after deducting related expenses) of approximately HK\$499.7 million are intended to be used to fund the construction of an internet data center of the Group and for general working capital purposes.

Data center sector is growing fast worldwide, especially with the development of digitalisation, cloud, mobile and big data analysis. The demand of the internet data center is expected to continue its rapid growth. The Directors consider that the construction of internet data center will enlarge the Group's leasing portfolio and strengthen its leasing business. The Directors believe that the Group's additional source of income will potentially increase the Group's revenue and enhance the Group's profitability and value to the Shareholders.

The Directors consider that the issue of the Convertible Bonds is an appropriate means of raising additional capital for the Company since it will not have an immediate dilution effect on the shareholding of the existing Shareholders. The Directors consider that the terms of the Subscription Agreement and the Convertible Bonds, which were arrived at after arm's length negotiations between the Company and the Subscriber, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

SHAREHOLDING STRUCTURE

The shareholding structure of the Company (i) as at the date of this announcement; and (ii) for illustration purpose only, immediately after the allotment and issue of the Conversion Shares in full upon exercise of the conversion rights under the Convertible Bonds (on the assumptions that the conversion price being HK\$1.4 per Conversion Share and there is no further allotment of Shares from the date of this announcement other than the Conversion Shares) is as follows:

Shareholders	As at the date of this announcement		Immediately after the allotment and issue of the Conversion Shares in full at the conversion price of HK\$1.4 per Conversion Share	
	Number of Shares	%	Number of Shares	%
Cloudrider Limited ("Cloudrider") (Note 1)	450,357,200	24.98%	450,357,200	20.82%
Super Dragon Co., Ltd. ("Super Dragon") (Note 2)	116,365,800	6.45%	116,365,800	5.38%
Directors (Note 3)	32,194,756	1.79%	32,194,756	1.49%
Subscriber (Note 4)	–	–	360,000,000	16.64%
Public Shareholders	<u>1,204,171,044</u>	<u>66.78%</u>	<u>1,204,171,044</u>	<u>55.67%</u>
Total	<u>1,803,088,800</u>	<u>100.00%</u>	<u>2,163,088,800</u>	<u>100.00%</u>

Notes:

1. Cloudrider is beneficially owned by Lontrue Co., Ltd., Capital Melody Limited, Xinsha International PTE. Ltd. and Bronze Pony Investments Limited, which respectively hold 35.65%, 32.09%, 17.82% and 14.44% of the equity interest of Cloudrider as at the date of this announcement. Mr. Li Qiang, the Chairman and the executive Director of the Company, is also the shareholder of Capital Melody Limited.
2. Super Dragon is wholly-owned by Mr. Zhu Weisha who is the sole director of Super Dragon as at the date of this announcement.
3. As at the date of this announcement, except for the Shares held by Cloudrider as explained in Note 1 and Super Dragon as explained in Note 2 respectively, Mr. Shi Guangrong, Mr. Zhu Jiang, Mr. Gao Fei, Ms. Shen Yan, Mr. Zhong Pengrong and Mr. Wu Jiajun are interested in 22,660,000 Shares, 7,926,756 Shares, 540,000 Shares, 324,000 Shares, 144,000 Shares and 600,000 Shares respectively.
4. The Subscriber does not own any Shares as at the date of this announcement.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any fund raising activities in the past twelve (12) months immediately prior to the date of this announcement.

As the Subscription Agreement is subject to conditions and may or may not complete, holders of securities of the Company and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“Board”	the board of Directors
“Bondholder(s)”	holder(s) of the Convertible Bonds
“Bond Instrument”	the bond instrument dated 26th May 2017 by which the Convertible Bonds are constituted
“Bond Issue Date”	the date on which the Convertible Bonds are issued, being the Completion Date
“Bond Maturity Date”	the date falling on the first anniversary of the issue of the Convertible Bonds, which is extendable for another year at the request of the Company if agreed by the Bondholder
“Business Day(s)”	a day, other than a Saturday, Sunday, public holiday or a day on which a tropical cyclone warning no. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m., on which licensed banks in Hong Kong are generally open for business
“Company”	Yuxing InfoTech Investment Holdings Limited, a company incorporated in Bermuda with limited liability and whose Shares are listed on GEM
“Completion”	completion of the Subscription Agreement
“Completion Date”	the date which is the third Business Day after, and excluding, the date upon which the last of the conditions precedent of the Subscription Agreement has been satisfied or waived, or such other date as the Company and the Investor may agree in writing
“connected person”	has the meaning ascribed thereto in the GEM Listing Rules
“Conversion Date”	a day when the conversion rights attaching to the Convertible Bonds are exercised

“Conversion Price”	the conversion price of the Convertible Bonds, initially being HK\$1.4 per Conversion Share (subject to adjustments)
“Convertible Bonds”	the 6% coupon secured convertible bonds due 2018 in the aggregate amount of up to approximately HK\$504.0 million to be issued by the Company to the Subscribers pursuant to the Subscription Agreement
“Conversion Shares”	Shares fall to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds
“Director(s)”	the director(s) of the Company
“GEM”	The Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 25th May 2016 to allot, issue and deal with up to 360,305,760 Shares, representing 20% of the issued share capital of the Company as at the date of such annual general meeting
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) who is(are) independent of the Company and its connected persons (as defined in the GEM Listing Rules)
“Last Trading Day”	26th May 2017, being the last day on which the Shares were traded on the Stock Exchange on or before the release of this announcement
“Listing Committee”	the listing committee of the Stock Exchange
“Ping An Shares”	issued share capital of Ping An Insurance (Group) Co. of China Ltd, whose shares are listed on the Stock Exchange (stock code: 2318)
“PRC”	the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Share(s)”	the ordinary share(s) of HK\$0.025 each in the share capital of the Company
“Share Charges”	the share charges to be entered into by the Company and Yuxing Technology respectively in favour of the Subscriber

“Shareholder(s)”	holder(s) of the Shares
“Subscriber”	Cloud Empire Investments Limited, a company incorporated under the laws of British Virgins Islands
“Subscription Agreement”	the conditional subscription agreement dated 26th May 2017 and entered into between the Company and the Subscriber in relation to the subscription of the Convertible Bonds
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs
“Trading Day”	a day on which the Stock Exchange is open for trading in Hong Kong
“Yuxing Technology”	Yuxing Technology Company Limited, a company incorporated in Hong Kong limited by shares and a wholly-owned subsidiary of the Company
“%”	per cent

By order of the Board
Yuxing InfoTech Investment Holdings Limited
Li Qiang
Chairman

Hong Kong, 26th May 2017

* *For identification purposes only*

As at the date hereof, the executive Directors are Mr. Li Qiang, Mr. Shi Guangrong, Mr. Zhu Jiang and Mr. Gao Fei; the independent non-executive Directors are Ms. Shen Yan, Mr. Zhong Pengrong and Mr. Wu Jiajun.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication and on the Company’s website at www.yuxing.com.cn.