



YUXING INFOTECH INVESTMENT HOLDINGS LIMITED

裕興科技投資控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8005)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30TH SEPTEMBER 2017

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HIGHLIGHTS FOR THE NINE-MONTH PERIOD

- For the nine months and three months ended 30th September 2017, overall revenue of the Group was approximately HK\$340.0 million and HK\$159.6 million respectively, representing a decrease of 40.1% and 37.0% respectively in comparison to the same periods in 2016.
- For the nine months and three months ended 30th September 2017, overall gross profit of the Group decreased by 79.4% and 83.7% respectively to approximately HK\$15.4 million and HK\$5.7 million as compared with the same periods of last year.
- Profit attributable to owners of the Company for the nine months and three months ended 30th September 2017 amounted to approximately HK\$7.6 million and HK\$18.5 million respectively (nine months and three months ended 30th September 2016: approximately HK\$104.5 million and HK\$188.5 million respectively).
- Basic earnings per share for the nine months and three months ended 30th September 2017 were HK0.4 cent and HK1.0 cent respectively (nine months and three months ended 30th September 2016: HK5.8 cents and HK10.5 cents respectively).
- Total equity attributable to owners of the Company as at 30th September 2017 was approximately HK\$2,197.9 million (31st December 2016: approximately HK\$1,958.8 million) or net assets per share of HK\$1.2 (31st December 2016: HK\$1.1).
- The Board does not recommend the payment of any interim dividend for the nine months ended 30th September 2017 (nine months ended 30th September 2016: Nil).

NINE-MONTH RESULTS (UNAUDITED)

The board of Directors of the Company (the “Board”) is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the nine months and three months ended 30th September 2017 together with the comparative unaudited figures for the same periods in 2016, prepared in accordance with generally accepted accounting principles in Hong Kong, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the nine months and three months ended 30th September 2017

		For the nine months ended 30th September		For the three months ended 30th September	
		2017	2016	2017	2016
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	2	340,030	567,499	159,622	253,383
Cost of sales		(324,680)	(492,902)	(153,900)	(218,185)
Gross profit		15,350	74,597	5,722	35,198
Other revenue and net income	3	136,500	155,037	77,326	187,672
Distribution and selling expenses		(12,109)	(14,905)	(4,301)	(5,168)
General and administrative expenses		(81,666)	(83,842)	(23,219)	(23,395)
Other operating expenses		(5,916)	(20,844)	(3,475)	(4,904)
Net changes in fair value on investment properties		(3,104)	610	(14)	8
Profit from operations		49,055	110,653	52,039	189,411
Finance costs		(41,256)	(7,670)	(33,341)	(2,426)
Profit before tax		7,799	102,983	18,698	186,985
Income tax (expenses)/credit	4	(187)	1,507	(174)	1,543
Profit for the period		<u>7,612</u>	<u>104,490</u>	<u>18,524</u>	<u>188,528</u>
Profit attributable to:					
Owners of the Company		7,612	104,506	18,524	188,532
Non-controlling interests		—	(16)	—	(4)
		<u>7,612</u>	<u>104,490</u>	<u>18,524</u>	<u>188,528</u>
Earnings per share	5				
– Basic		<u>0.42 cent</u>	<u>5.80 cents</u>	<u>1.03 cents</u>	<u>10.46 cents</u>
– Diluted		<u>0.42 cent</u>	<u>5.77 cents</u>	<u>1.03 cents</u>	<u>10.40 cents</u>

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

For the nine months and three months ended 30th September 2017

	For the nine months ended 30th September		For the three months ended 30th September	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit for the period	7,612	104,490	18,524	188,528
Other comprehensive income/(loss):				
Items that are reclassified or may be reclassified subsequently to profit or loss:				
Available-for-sale financial assets				
Change in fair value during the period	229,117	(33,622)	86,039	43,530
Less: Reclassification of net changes in fair value to profit or loss upon disposal	(54,527)	(159,214)	(54,527)	(123,131)
Exchange differences arising on translation of PRC subsidiaries	<u>19,226</u>	<u>(9,205)</u>	<u>8,744</u>	<u>(2,913)</u>
Other comprehensive income/(loss) for the period	<u>193,816</u>	<u>(202,041)</u>	<u>40,256</u>	<u>(82,514)</u>
Total comprehensive income/(loss) for the period	<u>201,428</u>	<u>(97,551)</u>	<u>58,780</u>	<u>106,014</u>
Total comprehensive income/(loss) attributable to:				
Owners of the Company	201,411	(97,535)	58,780	106,018
Non-controlling interests	<u>17</u>	<u>(16)</u>	<u>–</u>	<u>(4)</u>
	<u>201,428</u>	<u>(97,551)</u>	<u>58,780</u>	<u>106,014</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 30th September 2017

	Attributable to owners of the Company												Non-controlling interests	Total equity
	Share capital HK\$'000	Share premium HK\$'000	Statutory reserves HK\$'000	Contributed surplus HK\$'000	Share option reserves HK\$'000	Investment revaluation reserves HK\$'000	Convertible bond reserves HK\$'000	Property revaluation reserves HK\$'000	Translation reserves HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000		
As at 1st January 2017	45,077	133,249	8,668	234,621	70,850	(24,446)	–	17,264	31,312	(1,113)	1,443,355	1,958,837	1,036	1,959,873
Profit for the period	–	–	–	–	–	–	–	–	–	–	7,612	7,612	–	7,612
Other comprehensive income:														
Change in fair value of available-for-sale financial assets	–	–	–	–	–	229,117	–	–	–	–	–	229,117	–	229,117
Reclassification of net changes in fair value of available-for-sale financial assets to profit or loss upon disposal	–	–	–	–	–	(54,527)	–	–	–	–	–	(54,527)	–	(54,527)
Exchange differences arising on translation of PRC subsidiaries	–	–	–	–	–	–	–	–	19,209	–	–	19,209	17	19,226
Total other comprehensive income	–	–	–	–	–	174,590	–	–	19,209	–	–	193,799	17	193,816
Total comprehensive income for the period	–	–	–	–	–	174,590	–	–	19,209	–	7,612	201,411	17	201,428
Transactions with owners:														
<i>Contributions and distributions</i>														
Share options lapsed	–	–	–	–	(569)	–	–	–	–	–	569	–	–	–
Issue of convertible bonds	–	–	–	–	–	–	37,676	–	–	–	–	37,676	–	37,676
Total transactions with owners	–	–	–	–	(569)	–	37,676	–	–	–	569	37,676	–	37,676
As at 30th September 2017	45,077	133,249	8,668	234,621	70,281	150,144	37,676	17,264	50,521	(1,113)	1,451,536	2,197,924	1,053	2,198,977
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
Profit for the period	–	–	–	–	–	–	–	–	–	–	104,506	104,506	(16)	104,490
Other comprehensive loss:														
Change in fair value of available-for-sale financial assets	–	–	–	–	–	(33,622)	–	–	–	–	–	(33,622)	–	(33,622)
Reclassification of net changes in fair value of available-for-sale financial assets to profit or loss upon disposal	–	–	–	–	–	(159,214)	–	–	–	–	–	(159,214)	–	(159,214)
Exchange differences arising on translation of PRC subsidiaries	–	–	–	–	–	–	–	–	(9,205)	–	–	(9,205)	–	(9,205)
Total other comprehensive loss	–	–	–	–	–	(192,836)	–	–	(9,205)	–	–	(202,041)	–	(202,041)
Total comprehensive loss for the period	–	–	–	–	–	(192,836)	–	–	(9,205)	–	104,506	(97,535)	(16)	(97,551)
Transactions with owners:														
<i>Contributions and distributions</i>														
Issue of shares upon exercise of share options	41	4,246	–	–	(636)	–	–	–	–	–	–	3,651	–	3,651
Equity-settled share based payment	–	–	–	–	14,788	–	–	–	–	–	–	14,788	–	14,788
Share options lapsed	–	–	–	–	(280)	–	–	–	–	–	280	–	–	–
Total transactions with owners	41	4,246	–	–	13,872	–	–	–	–	–	280	18,439	–	18,439
As at 30th September 2016	45,077	132,662	8,668	234,621	71,527	(2,795)	–	16,023	45,143	(1,113)	1,493,810	2,043,623	1,057	2,044,680

NOTES:

1 Basis of preparation

The Group's unaudited condensed consolidated financial statements for the nine months ended 30th September 2017 have been prepared in accordance with the Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange. 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 2016. 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, except for unlisted equity securities outside Hong Kong, 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 2016. The adoption of the new/revised Hong Kong Financial Reporting Standards that are relevant to the Group and effective from the current period had no significant effects on the results and financial position of the Group for the current and prior periods.

2 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 Other revenue and net income

	For the nine months ended 30th September		For the three months ended 30th September	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other revenue				
Dividend income from listed securities	5,916	5,336	5,916	4,459
Interest income from bank deposits	4,355	1,843	1,515	542
Interest income from loans receivable	6,419	–	2,392	–
Imputed interest income from investment in an insurance contract	128	117	43	42
Rental income from investment properties	6,888	5,349	4,007	1,803
	23,706	12,645	13,873	6,846

	For the nine months ended 30th September		For the three months ended 30th September	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other net income				
Foreign exchange gain, net	18,228	–	6,156	–
Net unrealised gains/(losses) on financial assets at fair value through profit or loss				
– held for trading	23,371	20,257	5,493	53,511
– designated upon initial recognition	93	408	65	(262)
Net gains/(losses) on disposal of financial assets at fair value through profit or loss				
– held for trading	17,835	(48,033)	1,120	(156)
– designated upon initial recognition	1,302	5,836	281	1,640
– derivative financial instrument	–	575	–	24
Net fair value change on financial liabilities at fair value through profit or loss	(22,861)	–	(22,083)	–
Gain on disposal of available-for-sale financial assets	72,015	157,947	72,015	123,055
Reversal of impairment loss on trade and other receivables	12	100	2	7
Sundry income	2,799	5,302	404	3,007
	<u>112,794</u>	<u>142,392</u>	<u>63,453</u>	<u>180,826</u>
	<u>136,500</u>	<u>155,037</u>	<u>77,326</u>	<u>187,672</u>

4 Income tax (expenses)/credit

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

	For the nine months ended 30th September		For the three months ended 30th September	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
PRC enterprise income tax	<u>187</u>	<u>(1,507)</u>	<u>174</u>	<u>(1,543)</u>

The income tax provision in respect of operations in the PRC is calculated at the applicable tax rate of 25% on the estimated assessable profits for the nine months and three months ended 30th September 2017 and 2016 based on existing legislation, interpretations and practices in respect thereof. One operating subsidiary (nine months and three months ended 30th September 2016: one) of the Company has been officially designated by the local tax authority as “New and High Technology Enterprise” which is eligible to enjoy the preferential tax rate of 15% for the nine months and three months ended 30th September 2017 (nine months and three months ended 30th September 2016: 15%). Another operating subsidiary (nine months and three months ended 30th September 2016: 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 nine months and three months ended 30th September 2017 (nine months and three months ended 30th September 2016: 9%).

No Hong Kong Profits Tax has been provided for the nine months and three months ended 30th September 2017 and 2016 as the Group did not have any assessable profit from Hong Kong for both periods.

5 Earnings per share

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

	For the nine months ended 30th September		For the three months ended 30th September	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit attributable to owners of the Company	<u>7,612</u>	<u>104,506</u>	<u>18,524</u>	<u>188,532</u>
	For the nine months ended 30th September		For the three months ended 30th September	
	2017	2016	2017	2016
	'000	'000	'000	'000
Issued ordinary shares at 1st January	1,803,089	1,801,429	–	–
Issued ordinary shares at 1st July	–	–	1,803,089	1,802,299
Effect of share options exercised	<u>–</u>	<u>527</u>	<u>–</u>	<u>521</u>
Weighted average number of ordinary shares for basic earnings per share	1,803,089	1,801,956	1,803,089	1,802,820
Effects of dilutive potential ordinary shares:				
Exercise of share options	<u>N/A</u>	<u>9,986</u>	<u>N/A</u>	<u>10,268</u>
Weighted average number of ordinary shares for diluted earnings per share	<u>1,803,089</u>	<u>1,811,942</u>	<u>1,803,089</u>	<u>1,813,088</u>
Earnings per share:				
– Basic	<u>0.42 cent</u>	<u>5.80 cents</u>	<u>1.03 cents</u>	<u>10.46 cents</u>
– Diluted (Note)	<u>0.42 cent</u>	<u>5.77 cents</u>	<u>1.03 cents</u>	<u>10.40 cents</u>

Note:

The computation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in an increase in earnings per share for the nine months and three months ended 30th September 2017. In addition, the computation of diluted earnings per share for the nine months and three months ended 30th September 2017 does not assume the exercise of the Company's share options outstanding since the adjusted exercise prices of those share options were higher than the average market price of the shares during the nine months and three months ended 30th September 2017.

The calculation of diluted earnings per share for the nine months and three months ended 30th September 2016 is based on the profit attributable to owners of the Company of approximately HK\$104,506,000 and HK\$188,532,000 respectively, and the weighted average number of ordinary shares issued during the nine months and three months ended 30th September 2016 of approximately 1,811,942,000 shares and 1,813,088,000 shares respectively which has been adjusted for the number of dilutive potential ordinary shares arising from the outstanding share options granted under the Company's share option scheme.

RESERVES

Movements in the reserves of the Group for the nine months ended 30th September 2017 (the “Period”) are set out in the unaudited condensed consolidated statement of changes in equity of the financial statements.

DIVIDENDS

The Board does not recommend the payment of any interim dividend for the Period (nine months ended 30th September 2016: 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 period of market maturity. The accumulation of technological expertise over the years and the Group’s own intermediary software platform, enabled the Group to meet the needs of different customers, finalise the integrating work on termination systems and customise end products. Products launched by the Group in the markets include standard definition STB, high digital STB, hybrid dual mode STB, Over-the-Top TV (“OTT”)/IPTV STB, STB equipped with an Android system and etc.. Under the intense market competition condition, the Group is opened to many opportunities but also faced with confronting challenges. During the period under review, the Group’s overall revenue amounted to approximately HK\$340.0 million, representing a significant decrease of 40.1% as compared with the same period of last year. Due to a significant decrease in sales order received, the Group’s revenue for the Period in Hong Kong, PRC and overseas markets significantly decreased by 7.7%, 68.3% and 44.3% to approximately HK\$123.0 million, HK\$32.8 million and HK\$184.2 million respectively as compared with the same period of last year. At the same time, rising prices of raw material also led to a big drop in the average gross profit margin for the Period. Consequently, the overall gross profit of the Group for the Period decreased significantly by 79.4% to approximately HK\$15.4 million as compared with the same period of last year and the gross profit margin only reached 4.5% for the Period (nine months ended 30th September 2016: 13.1%).

In the PRC market, due to the weak procurement sentiment of the PRC customer during the Period and increase market competition, there is a remarkable decrease in the sales volume of STB in the PRC as compared with the same period of last year. Therefore, the overall revenue of the Group in the PRC market for the Period significantly decreased by 68.3% to approximately HK\$32.8 million as compared with the same period of last year. If the Group’s PRC customer changes its product and ceases to place order with the Group, the Group’s business will continue to be adversely affected.

In the overseas markets, 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, Brazil, Czechoslovakia, United States, Vietnam, etc.. At the same time, the Group is actively exploring new markets in Bulgaria, Denmark, Netherlands and United Kingdom. Although there was an increase in purchase orders from a few overseas customers during the period under review, the demand detente from the Australian customer leads to the sales in Australia for the Period significantly decreased by 46.9% to approximately HK\$165.6 million as compared with the same period of last year. Consequently, overall revenue in overseas markets decreased significantly by 44.3% to approximately HK\$184.2 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 a cooperative relationship with Hong Kong telecommunication operator in its marketing activities. Also, the Group has cooperated with a Hong Kong well-known television programme operator to assist with its expansion on OTT service in the Hong Kong market. The Group's overall revenue in the Hong Kong market decreased by 7.7% to approximately HK\$123.0 million for the Period as compared with the same period of last year, the rising prices of raw material led to a negative impact on gross profit margin in this area which caused the overall gross profit of the Group for the Period to decrease.

With the decrease in the Group's overall revenue, the Group's distribution and selling expenses for the Period decreased by 18.8% to approximately HK\$12.1 million as compared with the same period of last year. At the same time, the Group's general and administrative expenses also decreased by 2.6% to approximately HK\$81.7 million for the Period (nine months ended 30th September 2016: approximately HK\$83.8 million). Moreover, imputed interest expenses of approximately HK\$33.7 million was recorded for the Period (nine months ended 30th September 2016: HK\$Nil) in respect of the convertible bonds issued by the Company on 20th June 2017 (further details regarding the convertible bonds are set out in "Issue of Convertible Bonds" under "Fundraising Activities" section of this announcement), which caused the finance costs of the Group to increase significantly to approximately HK\$41.3 million for the Period (nine months ended 30th September 2016: approximately HK\$7.7 million).

The Group's other revenue and net income decreased by 12.0% to approximately HK\$136.5 million for the Period (nine months ended 30th September 2016: approximately HK\$155.0 million). This decrease was mainly due to the recorded gains on disposal of a total of approximately 3.0 million shares of H shares of Ping An Insurance (Group) Company of China, Ltd. ("Ping An") (nine months ended 30th September 2016: approximately 10.1 million A shares of Ping An) under available-for-sale financial assets of approximately HK\$72.0 million for the Period (nine months ended 30th September 2016: approximately HK\$157.9 million). This recorded gains on disposal was the major contribution to the profit attributable to owners of the Company for the Period.

The Group's other operating expenses decreased significantly to approximately HK\$5.9 million for the Period (nine months ended 30th September 2016: approximately HK\$20.8 million) as the Group recorded a net exchange gains resulted from appreciation in Renminbi ("RMB") against Hong Kong dollars of approximately HK\$18.2 million under other revenue and net income for the Period (nine months ended 30th September 2016: a net exchange loss of approximately HK\$14.6 million).

As for investment business, the Group conducted some investments in the secondary market and private investment funds during the Period. Based on value investment, the Group only selected the investment products in the secondary market by taking risk control and maintaining reasonable earning expectation as the investment strategy, maintenance and appreciation of asset value are the long-term investment commitments of the Group. Meanwhile, the Group also constantly reviews and manages its investment portfolios. As part of such review and management, the Group has disposed of a total of 3.0 million shares of H shares of Ping An on the market and as a result, the Group recognised accounting gains on the disposal of available-for-sale financial assets of approximately HK\$72.0 million for the Period. Such accounting gain has a positive impact on the Group's financial results for the Period. For more details please refer to the announcement of the Company dated 27th July 2017 in relation to the disposal of listed securities. Moreover, the Group also recorded net gains on financial assets/liabilities at fair value through profit or loss of approximately HK\$19.7 million for the Period (nine months ended 30th September 2016: net losses on financial assets at fair value through profit or loss of approximately HK\$21.0 million).

As a result of the foregoing, the Group recorded a profit attributable to owners of the Company of approximately HK\$7.6 million for the Period (nine months ended 30th September 2016: approximately HK\$104.5 million). Moreover, the Group recorded a profit attributable to owners of the Company of approximately HK\$18.5 million for the three months ended 30th September 2017 (three months ended 30th September 2016: approximately HK\$188.5 million).

Funding

Fundraising Activities

Issue of Convertible Bonds

On 26th May 2017, the Company entered into a subscription agreement with Cloud Empire Investments Limited (“Cloud Empire”) as the subscriber in relation to the issue of convertible bonds in principal amount of HK\$504.0 million (the “Convertible Bonds”). On 20th June 2017 (the “Bond Issue Date”), the Company issued Convertible Bonds to Cloud Empire. The Convertible Bonds bear interest at the rate of 6% per annum. Such interest is accrued on the outstanding principal amount of the Convertible Bonds and shall only be payable by the Company to Cloud Empire once every six months from the Bond Issue Date if the Convertible Bonds are neither converted during the conversion period nor redeemed prior to 20th June 2018 (the “Bond Maturity Date”).

The Convertible Bonds can be converted into ordinary shares of the Company at an initial conversion price of HK\$1.4 per share (subject to adjustments) for a maximum number of 360,000,000 conversion shares. The market price of the shares of the Company (“Shares”) was HK\$0.97 and HK\$1.02 as at 26th May 2017 and 20th June 2017 respectively. The conversion period commences from the 180th day after the Bond Issue Date and ends on the five business days prior to the Bond Maturity Date.

The net proceeds from the issue of the Convertible Bonds net of issue cost amounted to approximately HK\$500.2 million. The use of proceeds from the issue of the Convertible Bonds is to fund the construction of an internet data center (“IDC”) of the Group and for general working capital purposes.

As at the date of this announcement, Cloud Empire has not exercised its rights to convert the Convertible Bonds into Shares. For details of the terms of the Convertible Bonds, please refer to the Company’s announcements dated 26th May 2017, 2nd June 2017, 20th June 2017 and note 17 to the unaudited condensed consolidated interim financial statements in the 2017 interim report respectively.

Significant Investments/Material Acquisitions and Disposals

On 26th June 2017, Noble Rich Investment Limited, a wholly-owned subsidiary of the Company, as purchaser, entered into a sale and purchase agreement (the “Sale and Purchase Agreement”) with Phoenix Bridge International Holdings Group Investment Co., Limited, as vendor, and Wang Dade, as guarantor, to acquire 30,000,000 shares owned by the vendor which represent the entire issued share capital of Indeed Holdings Limited (the “Target Company”) at a consideration of US\$43,000,000 (equivalent to approximately HK\$335,400,000) subject to adjustments (the “Acquisition”). On 7th September 2017, the Acquisition was completed and the financial results, assets and liabilities of the Target Company and its subsidiary have been consolidated into the consolidated financial statements of the Group during the Period. For details of the Acquisition, please refer to the announcements of the Company dated 26th June 2017, 17th July 2017, 31st July 2017 and 7th September 2017, respectively and the Company’s circular issued on 17th August 2017.

Except for the above Acquisition and the investment in money market and private investment funds, equity and debt securities, the Group had no significant investment and no material acquisition or disposal during the Period.

Moreover, from 6th October 2017 to 26th October 2017, the Group has further disposed of a total of 3,600,000 Ping An H Shares (the “Disposal”). As a result of the Disposal, the Group is expecting to recognise an accounting gain on the disposal of available-for-sale financial assets of approximately HK\$92.1 million. These accounting gains from the Disposal are expected to have a positive effect on the Group’s financial results for the year ending 31st December 2017. For more details, please refer to the announcements of the Company dated 13th and 24th October 2017.

Key Risks and Uncertainties

During the Period, 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. With regards to the Information Home Appliances (“IHA”) business, factors such as fierce market competition in the PRC and overseas markets, possible economic slowdown in the PRC, fluctuation of the RMB exchange rate, drop in selling price of products and increase of production and labour costs may bring uncertainty to the development of the IHA business of the Group. With regards to the investing business, frequent changes of market policies and regulations in the PRC stock market and 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 will always take the environmental protection issue into consideration during daily operation. The Group does not produce material waste nor emit material quantities of air pollutants during its production and manufacturing process. The Group also strives to minimise the adverse environmental impact by encouraging its 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 Stock Exchange in 2000. As such, the Group’s assets and operations shall comply with the relevant laws and regulations both in the PRC and Hong Kong accordingly. During the Period, 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 will continue to keep itself updated with the requirements of the relevant laws and regulations both in the PRC and Hong Kong and adhere to it to ensure the compliance.

BUSINESS PROSPECT

This year will be a challenging year to the Group. Under the current intense market competition conditions, the Group is facing severe challenges. However, the Group will continue to improve its products to maintain a strong 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 to improve on 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 its customers, the Group will allocate a higher proportion of investment in R&D, continue to upgrade 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 in 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 business 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. Besides, the Group also intends to take initiatives in developing businesses in relation to global IDC and cloud computing. To take advantage of its business network and industry creditability in the Greater China region as well as the international market, the Group aims to expand internationally by developing global cloud computing data centers for large scale corporations and global cloud computing total solutions for small and medium enterprises in the Greater China region. The Group will continue to proactively identify the proper development or investment opportunities to strengthen the business portfolio of the Group, integrate resources in the industry, and generate sustainable and steady financial performance in the long run. Maintenance and appreciation of asset value are still the long-term investment commitments of the Group.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Share Option 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 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 an 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 Option Adoption Date.

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 (“Share Option”). These Share Options are exercisable up to five years from the date of grant. On 8th June 2016, the Company removed vesting period of all existing Share Options which are outstanding and unvested under the Share Option Scheme pursuant to the ordinary resolutions passed by the Shareholders at a SGM and such Share Options therefore shall be immediately vested with the consent of relevant Share Options holders. As a result, non-cash share-based compensation expenses in respect of all outstanding and unvested Share Options at the date of approval of removal of vesting period of the Share Options of approximately HK\$7,564,000 was recognised as expense by the Group with the same amount credited to share option reserves under equity for the year ended 31st December 2016. For details of the amendment of the terms of Share Options, please refer to the Company’s announcement dated 18th May 2016 and the circular dated 23rd May 2016.

Details of the movements of Share Options granted during the nine months ended 30th September 2017 and 2016 to subscribe for the shares in the Company are as follows:

For the nine months ended 30th September 2017

Category	Date of grant	Exercise price per share HK\$	Exercisable period*	Number of shares issuable under the Share Options					
				Outstanding as at 1st January 2017	Granted during the period	Reclassification of Category during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30th September 2017
Directors									
Mr. Zhu Weisha (retired on 8th March 2017)	16th January 2015	2.2	16th January 2015 – 15th January 2020	1,792,116	–	(1,792,116)	–	–	–
Mr. Shi Guangrong	16th January 2015	2.2	16th January 2015 – 15th January 2020	6,500,000	–	–	–	–	6,500,000
Mr. Zhu Jiang	16th January 2015	2.2	16th January 2015 – 15th January 2020	7,000,000	–	–	–	–	7,000,000
Ms. Shen Yan	16th January 2015	2.2	16th January 2015 – 15th January 2020	1,000,000	–	–	–	–	1,000,000
Mr. Zhong Pengrong	16th January 2015	2.2	16th January 2015 – 15th January 2020	1,000,000	–	–	–	–	1,000,000
Mr. Wu Jiajun (resigned on 15th September 2017)	16th January 2015	2.2	16th January 2015 – 15th January 2020	1,000,000	–	(1,000,000)	–	–	–
Chief Executive Officer									
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	61,550,892	–	2,792,116	–	(772,000)	63,571,008
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
				<u>95,763,008</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(772,000)</u>	<u>94,991,008</u>
Outstanding as at 30th September 2017									<u>94,991,008</u>
Weighted average exercise price (HK\$)				<u>2.2</u>	<u>–</u>	<u>2.2</u>	<u>–</u>	<u>2.2</u>	<u>2.2</u>

For the nine months ended 30th September 2016

Category	Date of grant	Exercise price per share HK\$	Exercisable period*	Number of shares issuable under the Share Options					
				Outstanding as at 1st January 2016	Granted during the period	Reclassification of Category during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30th September 2016
Directors									
Mr. Zhu Weisha	16th January 2015	2.2	16th January 2015 – 15th January 2020	1,792,116	–	–	–	–	1,792,116
Mr. Chen Furong (resigned on 20th May 2016)	16th January 2015	2.2	16th January 2015 – 15th January 2020	1,792,116	–	(1,792,116)	–	–	–
Mr. Shi Guangrong	16th January 2015	2.2	16th January 2015 – 15th January 2020	6,500,000	–	–	–	–	6,500,000
Mr. Wang Anzhong (resigned on 20th June 2016)	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
Ms. Shen Yan	16th January 2015	2.2	16th January 2015 – 15th January 2020	1,000,000	–	–	–	–	1,000,000
Mr. Zhong Pengrong	16th January 2015	2.2	16th January 2015 – 15th January 2020	1,000,000	–	–	–	–	1,000,000
Mr. Wu Jiajun	16th January 2015	2.2	16th January 2015 – 15th January 2020	1,000,000	–	–	–	–	1,000,000
Chief Executive Officer									
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	–	4,792,116	(1,660,000)	(672,000)	61,670,892
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
				<u>98,215,008</u>	<u>–</u>	<u>–</u>	<u>(1,660,000)</u>	<u>(672,000)</u>	<u>95,883,008</u>
Outstanding as at 30th September 2016									95,883,008
Weighted average exercise price (HK\$)				<u>2.2</u>	<u>–</u>	<u>2.2</u>	<u>2.2</u>	<u>2.2</u>	<u>2.2</u>

* Share Options granted to the Directors, Chief Executive Officer, continuous contract employees, suppliers of goods or services and other eligible participants were subject to vesting conditions. However, the vesting period of all existing Share Options granted to the Directors, Chief Executive Officer, continuous contract employees, suppliers of goods or services and other eligible participants which were outstanding and unvested had been removed with the approval of the Shareholders at the SGM held on 8th June 2016.

Notes:

- (i) The price of the Shares before the date of the grant of the Share Options is the closing price of the Shares as quoted on the Stock Exchange on the trading day immediately before the date on which the share options were granted.
- (ii) Save as disclosed above, there were no Share Options which lapsed according to the terms of the Share Option Scheme during the Period (nine months ended 30th September 2016: Nil).
- (iii) The weighted average closing price of the Shares immediately before the dates of exercise was HK\$2.45 as at 30th September 2016.

The non-cash share-based payment in respect of the Share Options for the Period was HK\$Nil (nine months ended 30th September 2016: approximately HK\$14,788,000).

The cost of Share Options granted is estimated on the date of the grant using the Binomial Model with the following parameters:

Date of grant	16th January 2015
Number of shares issuable under options granted	107,527,008
Exercise price	HK\$2.2
Fair value at the date of grant	HK\$0.72 – HK\$0.75
Risk-free interest rate based on the yields of the 5-year Exchange Fund Notes	0.88%
Expected volatility [#]	46%
Expected dividend yield	2.27%
Expected life	3 years to 5 years

[#] The expected volatility is based on statistical analysis of daily share prices annualised for one year immediately preceding the grant date.

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.

When the Share Options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserves will be transferred to retained profits.

The fair value of the Share Options are subject to a number of assumptions and the limitation of the Binomial Model.

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. The

Share Award Scheme will remain in force for a period of three years commencing on the Adoption Date of Share Award Scheme. The vesting period and vesting condition of the awarded shares are determined by the Board upon the grant of the awarded shares. A trust has been set up and fully funded by the Company for the purpose of purchasing, administering and holding the Shares for the Share Award Scheme. The total number of shares which may be granted to the Selected Employees under the Share Award Scheme shall not exceed 3% of the total issued share capital of the Company from time to time. For details of the Share Award Scheme, please refer to the announcement of the Company dated 6th October 2014.

For the nine months ended 30th September 2017 and 2016, there was no movement in the number of shares held under Share Award Scheme.

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

As at 30th September 2017, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and 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 to be notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(1) Long positions in the shares of the Company

Name of Director	Nature of interests	Number of ordinary shares	Capacity	Approximate percentage of the total issued share capital of the Company
Mr. Shi Guangrong	Personal	22,660,000	Beneficial owner	1.26%
Mr. Zhu Jiang	Personal	7,926,756	Beneficial owner	0.44%
Mr. Gao Fei	Personal	540,000	Beneficial owner	0.03%
Ms. Shen Yan	Personal	324,000	Beneficial owner	0.02%
Mr. Zhong Pengrong	Personal	144,000	Beneficial owner	0.01%

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

Pursuant to the Share Option Scheme adopted 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, details of which as at 30th September 2017 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 1st January 2017	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30th September 2017
Directors								
Mr. Shi Guangrong	16th January 2015	2.2	16th January 2015 – 15th January 2020	6,500,000	–	–	–	6,500,000
Mr. Zhu Jiang	16th January 2015	2.2	16th January 2015 – 15th January 2020	7,000,000	–	–	–	7,000,000
Ms. Shen Yan	16th January 2015	2.2	16th January 2015 – 15th January 2020	1,000,000	–	–	–	1,000,000
Mr. Zhong Pengrong	16th January 2015	2.2	16th January 2015 – 15th January 2020	1,000,000	–	–	–	1,000,000
Chief Executive Officer								
Mr. Kevin Choo	16th January 2015	2.2	16th January 2015 – 15th January 2020	8,000,000	–	–	–	8,000,000
				23,500,000	–	–	–	23,500,000

Further details regarding the Share Options Scheme 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 30th September 2017, 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 pursuant to section 352 of the SFO, or as required to be notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

So far as is known to any Director or chief executive of the Company, as at 30th September 2017, the following persons (other than Directors or chief executive of the Company) have interest or short position in the Shares or underlying Shares 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	Approximate percentage to the total issued share capital of the Company
Cloudrider Limited ("Cloudrider") (Note 1)	Corporate	450,357,200	Beneficial owner	24.98%
Lontrue Co., Ltd.* (朗源股份有限公司) ("Lontrue") (Note 1)	Corporate	450,357,200	Interest of a controlled corporation	24.98%
Honbridge Holdings Limited (Stock Code: 8137) ("Honbridge") (Note 2)	Corporate	450,357,200	Person having a security interest in shares	24.98%
Hong Bridge Capital Limited ("Hong Bridge") (Note 2)	Corporate	450,357,200	Interest of a controlled corporation	24.98%
Mr. He Xuechu (Note 2)	Personal	450,357,200	Interest of a controlled corporation	24.98%
Ms. Foo Yatyan (Note 2)	Personal	450,357,200	Interest of a controlled corporation	24.98%
Super Dragon Co., Ltd. ("Super Dragon") (Note 3)	Corporate	116,365,800	Beneficial owner	6.45%

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

Name of the holder of the Convertible Bonds	Principal amount of the Convertible Bonds	Number of the total underlying shares	Approximate percentage of the total issued share capital of the Company
Cloud Empire (Note 4)	HK\$504,000,000 (Note 5)	360,000,000	19.97%

Notes:

- Reference is made to the announcements of the Company dated 11th April 2016, 12th April 2016 and 16th May 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 Cloudrider, in relation to a proposed sale by Super Dragon and proposed acquisition by the Cloudrider 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. On 16th May 2016, the transfer of the Sale Shares was completed as contemplated under the Sale and Purchase Agreement. According to the disclosure forms filed by Cloudrider and Lontrue on 19th May 2016, Lontrue holds 35.65% of the equity interest of Cloudrider and is deemed to be interested in 450,357,200 shares of the Company. Mr. Li Qiang, the executive Director and chairman of the Board of the Company, is the sole shareholder and director of Capital Melody Limited, holding 32.09% of the equity interest of Cloudrider as at 30th September 2017.
- Reference is made to the announcement of Honbridge dated 11th April 2016 and a circular dated 24th May 2016 in relation to a loan agreement dated 11th April 2016 between Honbridge and Cloudrider. A loan in the principal amount of HK\$540,000,000 granted by Honbridge to Cloudrider pursuant to a loan agreement at the rate of 3% per annum, which may be drawn down in two tranches (the “Loan”). The maturity date was 12 months after the drawdown of the Tranche A Loan, subject to an option to extend by Cloudrider to the date falling 24 months after the drawdown. The Loan is secured by (i) share charges provided by Bronze Pony Investments Limited and Capital Melody Limited having granted security over all of their shareholdings in Cloudrider; and (ii) a debenture consisting of a fixed and floating charge over all of the assets of Cloudrider in favour of Honbridge, or such other security as required by Honbridge to its satisfaction. According to the disclosure forms filed by Honbridge, Hong Bridge, Mr. He Xuechu and Ms. Foo Yatian on 23rd September 2016, Hong Bridge holds more than one-third of the issued share capital of Honbridge and Mr. He Xuechu holds more than one-third of the issued share capital of Hong Bridge which in turn holds more than one-third of the issued share capital of Honbridge. As such, Mr. He Xuechu and Hong Bridge are deemed interested in 450,357,200 shares of the Company in which Honbridge has an interest. Ms. Foo Yatian is deemed to be interested in 450,357,200 shares of the Company because the interests are related to the interests of children under 18 and/or spouse.
- Mr. Zhu Weisha holds these shares through Super Dragon, a company in which Mr. Zhu holds the entire issued share capital and of which he is the sole director.
- Cloud Empire, a company incorporated under the laws of British Virgins Islands. According to the disclosure forms filed by Cloud Empire, ABCI Investment Management Limited (“ABCI Investment”), ABC International Holdings Limited (“ABC International”), Agricultural Bank of China Limited (“ABC”), Ministry of Finance of the People’s Republic of China and Central Huijin Investment Ltd. (“Central Huijin”) on 31st May 2017, ABCI Investment, ABC International, ABC, Ministry of Finance of the People’s Republic of China and Central Huijin are also deemed to be interested in such Convertible Bonds of the Company under the SFO.
- On 26th May 2017, the Company entered into a subscription agreement with Cloud Empire as the subscriber in relation to the issue of Convertible Bonds in the principal amount of HK\$504,000,000. The Convertible Bonds can be converted into maximum 360,000,000 ordinary shares of the Company at the initial conversion price of HK\$1.4 per share (subject to adjustments). The issue was completed on 20th June 2017 with net proceeds of approximately HK\$500.2 million.

Save as disclosed above, as at 30th September 2017, 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 as recorded in the register required to be kept by the Company under section 336 of the SFO.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the Period.

COMPETING INTERESTS

None of the Directors or the controlling Shareholders 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

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

The Company has complied with the Code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 15 of the GEM Listing Rules during the Period.

AUDIT COMMITTEE

The Board has established an audit committee (the "Audit Committee") on 20th November 1999 with written terms of reference in compliance with rules 5.28 to 5.33 of the GEM Listing Rules. The Audit Committee comprises three independent non-executive Directors, namely Ms. Shen Yan (Chairman), Mr. Zhong Pengrong and Mr. Li Menggang.

The primary functions of the Audit Committee are to assist the Board in reviewing the financial information, overseeing the financial reporting system, risk management, internal control systems and relationship with external auditor, and arrangements to enable employees of the Company to raise concerns under the protection of confidentiality about possible improprieties in financial reporting, internal control or other matters of the Company.

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 CG Code and was of the opinion that the preparation of such statements complied with the applicable accounting standards and that adequate disclosure has been made in respect thereof.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Period.

SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the required standard of dealings as set out in rules 5.48 to 5.67 (the “Required Standard of Dealings”) of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, each Director confirmed that he/she has complied with the required standard set out in the Required Standard of Dealings during the Period.

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

Hong Kong, 13th November 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; and the independent non-executive Directors are Ms. Shen Yan, Mr. Zhong Pengrong and Mr. Li Menggang.

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