Yuxing InfoTech Investment Holdings Limited
裕 興 科 技 投 資 控 股 有 限 公 司*

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

First Quarterly Report 2014

* for identification purposes only

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

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

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

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

HIGHLIGHTS FOR THE THREE-MONTH PERIOD

For the three months ended 31st March 2014, turnover of the Group has significantly decreased by 18.6% to approximately HK$124.4 million as compared with the corresponding period last year.

For the three months ended 31st March 2014, gross profit of the Group has significantly increased by 20.8% to approximately HK$13.8 million as compared with the corresponding period last year.

Loss attributable to owners of the parent for the three months ended 31st March 2014 amounted to approximately HK$297.8 million, while the Group recorded a loss attributable to owners of the parent of only approximately HK$16.3 million for the three months ended 31st March 2013.

Basic loss per share for the three months ended 31st March 2014 was HK16.62 cents (three months ended 31st March 2013: HK0.93 cent).

The Board does not recommend the payment of any interim dividend for the three months ended 31st March 2014 (for the three months ended 31st March 2013: HK$0.05 per share).

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

		For the three months ended 31st March	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
Turnover	2	**124,375**	152,869
Cost of sales		**(110,613)**	(141,478)
Gross profit		**13,762**	11,391
Other revenue and net income		**11,886**	4,576
Distribution and selling expenses		**(2,923)**	(3,795)
General and administrative expenses		**(18,781)**	(19,848)
Other operating expenses		**(21,422)**	(4,088)
Change in fair value of derivative financial instruments in connection with Repurchase(s) (as defined in "Financial and Business Review" section)		**(277,577)**	–
Loss from operations		**(295,055)**	(11,764)
Finance costs		**(2,426)**	(6,932)
Share of results of a joint venture		**–**	17
Loss before taxation		**(297,481)**	(18,679)
Taxation	3	**(17)**	–
Loss for the period		**(297,498)**	(18,679)
Loss attributable to:			
Owners of the parent	4	**(297,846)**	(16,286)
Non-controlling interests		**348**	(2,393)
		(297,498)	(18,679)
Loss per share	4		
– Basic		**(16.62) cents**	(0.93) cent
– Diluted		**(16.62) cents**	(0.93) cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months ended 31st March 2014

	For the three months ended 31st March	
	2014	2013
	HK$'000	*HK$'000*
Loss for the period	**(297,498)**	(18,679)
Other comprehensive income/(loss)		
Items that are reclassified or may be reclassified subsequently to profit or loss:		
Change in fair value of available-for-sale financial assets	**10,662**	–
Share of other comprehensive loss arising from interest in a joint venture (net of tax)	**–**	(150,441)
Exchange differences arising on translation of PRC subsidiaries	**(2,393)**	9,388
Other comprehensive income/(loss) for the period	**8,269**	(141,053)
Total comprehensive loss for the period	**(289,229)**	(159,732)
Total comprehensive loss attributable to:		
Owners of the parent	**(289,577)**	(157,339)
Non-controlling interests	**348**	(2,393)
	(289,229)	(159,732)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 31st March 2014

	Attributable to owners of the parent											
	Share capital HK$'000	Share premium HK$'000	Statutory reserves HK$'000	Contributed surplus HK$'000	Share option reserves HK$'000	Investment revaluation reserves HK$'000	Translation reserves HK$'000	Other reserves HK$'000	Retained profits/ (Accumulated losses) HK$'000	Sub total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 1st January 2014	44,803	57,265	8,668	234,621	–	–	79,364	(1,113)	1,721,351	2,144,959	11,106	2,156,065
Loss for the period	–	–	–	–	–	–	–	–	(297,846)	(297,846)	348	(297,498)
Other comprehensive income:												
Change in fair value of available-for-sale financial assets	–	–	–	–	–	10,662	–	–	–	10,662	–	10,662
Exchange differences arising on translation of PRC subsidiaries	–	–	–	–	–	–	(2,393)	–	–	(2,393)	–	(2,393)
Total other comprehensive income	–	–	–	–	–	10,662	(2,393)	–	–	8,269	–	8,269
Total comprehensive loss for the period	–	–	–	–	–	10,662	(2,393)	–	(297,846)	(289,577)	348	(289,229)
As at 31st March 2014	**44,803**	**57,265**	**8,668**	**234,621**	**–**	**10,662**	**76,971**	**(1,113)**	**1,423,505**	**1,855,382**	**11,454**	**1,866,836**
As at 1st January 2013	43,688	41,693	20,435	234,621	29,021	1,682,822	687,064	–	(393,828)	2,345,516	12,441	2,357,957
Loss for the period	–	–	–	–	–	–	–	–	(16,286)	(16,286)	(2,393)	(18,679)
Other comprehensive loss:												
Share of other comprehensive loss arising from interest in a joint venture (net of tax)	–	–	–	–	–	(150,441)	–	–	–	(150,441)	–	(150,441)
Exchange differences arising on translation of PRC subsidiaries	–	–	–	–	–	–	9,388	–	–	9,388	–	9,388
Total other comprehensive loss	–	–	–	–	–	(150,441)	9,388	–	–	(141,053)	–	(141,053)
Total comprehensive loss for the period	–	–	–	–	–	(150,441)	9,388	–	(16,286)	(157,339)	(2,393)	(159,732)
Transactions with owners:												
Issue of shares under share option scheme	173	1,892	–	–	–	–	–	–	–	2,065	–	2,065
Total transactions with owners	173	1,892	–	–	–	–	–	–	–	2,065	–	2,065
As at 31st March 2013	43,861	43,585	20,435	234,621	29,021	1,532,381	696,452	–	(410,114)	2,190,242	10,048	2,200,290

Notes:

1. **Basis of preparation**

The Group's unaudited condensed consolidated financial statements for the three months ended 31st March 2014 have been prepared in accordance with Hong Kong Accounting Standards issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. The accounts are unaudited but have been reviewed by the Company's audit committee.

These unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31st December 2013. They have been prepared on the historical cost basis, except for investment properties, financial assets/liabilities at fair value through profit or loss and available-for-sale financial assets, which are measured at fair value.

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

2. **Turnover**

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

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

3. **Taxation**

The taxation charged to profit or loss represents:

	For the three months ended 31st March	
	2014	2013
	HK$'000	*HK$'000*
PRC enterprise income tax	**17**	–

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 2014 based on existing legislation, interpretations and practices in respect thereof. Two operating subsidiaries (for the three months ended 31st March 2013: One) of the Company have been officially designated by the local tax authority as "New and High Technology Enterprise". As a result, the effective tax rate for these subsidiaries is 15% (for the three months ended 31st March 2013: 15%) for the three months ended 31st March 2014. No PRC enterprise income tax has been provided for the three months ended 31st March 2013 as the Group did not have any assessable profit from the PRC for the period.

No Hong Kong Profits Tax has been provided for the three months ended 31st March 2014 and 2013 as the Group did not have any assessable profit from Hong Kong for both periods.

4. Loss per share

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

	For the three months ended 31st March	
	2014	2013
	HK$'000	*HK$'000*
Loss attributable to owners of the parent	**(297,846)**	(16,286)

	For the three months ended 31st March	
	2014	2013
	'000	*'000*
Issued ordinary shares at 1st January	**1,792,117**	1,747,506
Effect of share options exercised	**–**	2,574
Weighted average number of ordinary shares for basic loss per share	**1,792,117**	1,750,080
Effect of dilutive potential ordinary shares: Exercise of share options	**N/A**	N/A
Weighted average number of ordinary shares for diluted loss per share	**1,792,117**	1,750,080
Loss per share:		
– Basic	**(16.62) cents**	(0.93) cent
– Diluted *(Note)*	**(16.62) cents**	(0.93) cent

Note:

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

Diluted loss per share is the same as the basic loss per share for the three months ended 31st March 2013 because the effect of potential ordinary shares is anti-dilutive.

RESERVES

Movements in the reserves of the Group during the three months ended 31st March 2014 (the "Period") are set out in the unaudited condensed consolidated statement of changes in equity of the financial statements.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the three months ended 31st March 2014 (for the three months ended 31st March 2013: HK$0.05 per share).

FINANCIAL AND BUSINESS REVIEW

During the period under review, various types of set-top boxes ("STB") had been launched by the Group including standard-definition STB, high digital STB, dual mode STB, Over-The-Top TV ("OTT")/Internet Protocol Television ("IPTV") STB, as well as smart STB equipped with an Android system, etc. Under the steady growth of the global IPTV market condition, the Group's IPTV STB business also entered into a period of market maturity. Although during the period under review the Group's STB business in the PRC and Hong Kong was declined, the Group will further improve the products with the accumulation of technological expertise over the years and leading self-developed intermediary software platform, so that the Group can meet needs of different customers, integrate with termination systems and customize end products. During the period under review, the Group's overall turnover and gross profit amounted to approximately HK$124.4 million and HK$13.8 million respectively for the Period, representing a substantial decrease of 18.6% and increase of 20.8% respectively as compared with the same period of last year. This decrease in overall turnover of the Group was mainly attributable to the weakened order procurement sentiment of the PRC and Hong Kong customers in the first quarter of 2014 which has contributed to a softened demand for the Group's products. As a result, the Group's turnover from the PRC and Hong Kong markets for the Period decreased significantly by 20.6% and 61.8% to approximately HK$85.5 million and HK$8.0 million respectively as compared with the same period of last year.

FINANCIAL AND BUSINESS REVIEW *(Continued)*

In the PRC market, the Group had successfully launched, through cooperation with one of the largest PRC telecom equipment and system providers, various types of STB into areas including Guangdong Province, Hubei Province, Sichuan Province, Shanxi Province, Liaoning Province, Anhui Province, Shanghai and Chongqing Municipalities, etc. Some operators cooperating with the Group started planning to deploy smart STB in large scale and the Group had deployed smart STB equipped with an Android system in many provinces across the PRC. However, due to the weakened order procurement sentiment of this PRC customer in the first quarter of 2014 and a further market competition, this led to a significant decrease in the sales quantity of STB in the PRC as compared with the same period of last year. Therefore, the turnover of the STB of the Group for the Period in the PRC decreased significantly by 20.7% to approximately HK$85.3 million as compared with the same period of last year.

In the overseas market, 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, Belgium, Spain and Sweden, etc. Although the reduction in purchase orders from a few overseas customers during the period under review, sales in Australia for the Period significantly increased by 128.6% to approximately HK$15.7 million as compared with the same period of last year. Consequently, overall overseas turnover increased significantly by 27.9% to approximately HK$30.9 million for the Period as compared with the same period of last year.

As one of the leading suppliers of IPTV STB in Hong Kong, the Group still maintained great cooperation relationship with a Hong Kong telecommunication operator in its marketing activities. However, due to the significant reduction in purchase orders from the Hong Kong customer in the first quarter of 2014, resulting in the Group's turnover in Hong Kong market to decrease significantly by 61.8% to approximately HK$8.0 million for the Period as compared with the same period of last year.

FINANCIAL AND BUSINESS REVIEW *(Continued)*

With the significant decrease of the Group's overall turnover, the Group's selling expenses for the Period also decreased by 23.0% to approximately HK$2.9 million as compared with the same period of last year. At the same time, the Group's general and administrative expenses for the Period decreased by 5.4% to approximately HK$18.8 million as compared with the corresponding period in 2013. Moreover, there was no amortised interest expenses recorded for the Period in respect of the settlement fee payable to the Guangdong Jianlibao Group Company Limited or its designated entities (further details regarding the settlement fee payable are set out in note 30 to the financial statement in the annual report 2013 of the Company), which caused the finance costs of the Group to significantly decrease to approximately HK$2.4 million for the Period (for the three months ended 31st March 2013: approximately HK$6.9 million).

During the period under review, the Group recorded fair value adjustments to derivative financial instruments of approximately HK$277.6 million for the Period (for the three months ended 31st March 2013: HK$Nil), which were relating to the put options and call options arising from the Group's repurchase of no more than 41 million but no less than 27 million A shares of Ping An Insurance (Group) Company of China, Ltd. ("Ping An Shares") at the repurchase price of RMB37.29 per share from Gongbujiangda Jiangnan Industrial Development Company Limited ("JI") during 90 days after the final payment date of the disposal agreement (the "Repurchase(s)") as at each repurchase date during the Repurchase period and as at 31st March 2014 as compared with the corresponding fair value adjustments to these derivate financial instruments as at 31st December 2013. These adjustments were the major contribution to the loss attributable to the owners of the parent of the Company for the Period. For further details, the Directors request the shareholders and investors of the Company to refer to the note 24(c) to the financial statements of the Company's annual report 2013 in relation to the fair value adjustments of such put options and call options as at 31st December 2013 and the circular dated 31st October 2013 (the "Circular"). As the fair value of put options and call options (due to the Repurchase(s)) was mainly determined by the observable market price of Ping An Share(s), the time limit of the options and other factors, with the change of the market price of Ping An Share(s) and as time flies, the fair value of these options will change as well, and this may considerably impact on the results of the Group positively or negatively till the end of the Repurchase period.

FINANCIAL AND BUSINESS REVIEW *(Continued)*

The main reason for the increase in the Group's other revenue and net income to approximately HK$11.9 million for the Period (for the three months ended 31st March 2013: approximately HK$4.6 million) was mainly attributable to the realised gains on financial assets at fair value through profit or loss totaling approximately HK$7.3 million for the Period (for the three months ended 31st March 2013: HK$Nil).

Other operating expenses increased to approximately HK$21.4 million for the Period (for the three months ended 31st March 2013: approximately HK$4.1 million). The main reason was that the Group recorded exchange losses of totaling approximately HK$15.3 million for the Period (for the three months ended 31st March 2013: approximately HK$0.8 million).

As a result of the foregoing, the Group recorded a loss attributable to owners of the parent of approximately HK$297.8 million for the Period, while the Group recorded a loss attributable to owners of the parent of only approximately HK$16.3 million in the same period of last year.

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

References are made to the announcements of the Company dated 11th October 2013, 28th October 2013, 15th November 2013, 2nd January 2014 and 2nd April 2014 and the Circular in relation to, *inter alia*, the Agreement, the Proposed Disposal, the Proposed Repurchase(s) and the Major Transaction in relation to the New Disposal Mandate (as such capitalised terms are defined in the Circular). On 2nd January 2014, being the final payment date of the Agreement, 華浩信聯（北京）投資有限公司 (Hua Hao Xin Lian (Beijing) Investment Co., Ltd.*), has fully paid the total consideration in accordance with the terms of the Agreement. The Repurchase period commenced on 2nd January 2014 and has ended on 2nd April 2014. On 2nd April 2014, the Group has repurchased 41 million Ping An Shares at the price of RMB37.29 per share pursuant to the Agreement. The Group has completed the Repurchase(s) in accordance with the requirements under the Agreement during the Repurchase period. Further announcements will be issued by the Company regarding updates on the above-mentioned related matters.

BUSINESS PROSPECT

The global IPTV market reaches a mature stage, especially the PRC market, showing a steady growth. In order to acquire more sophisticated competitive advantages, the Group has to keep upgrading its products. Being one of the initial companies developing in broadband STB in the world, the Group, with effort in over ten years and based on its accumulation of technological expertise over the years and its own research and development capability, will change the traditional model by working hard on exploring the linkage of internet and television, to achieve a better performance in the near future.

Regarding to its investment business, the Group will continue to focus on the convergence of television, telecom and internet field. This filed is emerging the opportunities of huge convergence and great development. It is believed that the existing and the accumulated experiences of the information home appliances of the Group will help to efficiently complete the evaluation value of the invested companies, the integration of resources and the value-added. On the other hand, the Group's secondary market investment strategy will continue to base on the value investment, select investment products with lower risk to control risk and maintain reasonable earning expectation. Maintenance and appreciation of asset value are still the long-term investment commitment of the Group.

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

As at 31st March 2014, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as required, pursuant to the minimum standards for dealing by Directors as referred to in rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Exchange were as follows:

Long positions in the shares of the Company

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

Note:

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

Save as disclosed above, none of the Directors or chief executive of the Company had, as at 31st March 2014, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as required to be notified to the Company and the Exchange pursuant to the minimum standards for dealing by Directors as referred to in rule 5.46 to 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 2014, the following is a list of the substantial shareholders (other than Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in the shares of the Company

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

Note:

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

Save as disclosed above, as at 31st March 2014, the Company had not been notified by any person (other than Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

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 competes or may compete with the business of the Group or has any other conflict of interest with the Group during the three months ended 31st March 2014.

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 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 Code on Corporate Governance Practices ("GEM Code") contained in Appendix 15 of the GEM Listing Rules. The Board will continue to monitor and revise the Company Code and assess the effectiveness of corporate governance practices in tandem with changes in the environment and requirements under the GEM Code, to ensure the Company Code is in line with the expectations and interests of shareholders and comply with the GEM Code and the GEM Listing Rules.

Subject to the deviations as disclosed hereof, the Company has complied with all the provisions of the GEM Code for the three months ended 31st March 2014 up to the date hereof:

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

AUDIT COMMITTEE

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

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. 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 consolidated results for the three months ended 31st March 2014 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 had been made in respect thereof.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the three months ended 31st March 2014.

SECURITIES TRANSACTIONS BY THE DIRECTORS

Although the Company has not adopted any code of conduct regarding the Directors' securities transactions, it has made specific enquiry with all Directors and all Directors have confirmed that they have complied with all the required standard of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules during the three months ended 31st March 2014.

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

Hong Kong, 12th May 2014

As at the date hereof, the executive Directors are Mr. Zhu Wei Sha, Mr. Chen Fu Rong, Mr. Shi Guang Rong, Mr. Wang An Zhong and Mr. Zhu Jiang; the independent non-executive Directors are Mr. Wu Jia Jun, Mr. Zhong Peng Rong and Ms. Shen Yan.