



**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  
2017**

\* for identification purposes only

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK 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 Stock 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 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 Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors of the Company (the “Directors”), having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this 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 any statement herein or this report misleading.*

## HIGHLIGHTS FOR THE THREE-MONTH PERIOD

- For the three months ended 31st March 2017, overall revenue and gross profit of the Group decreased by 25.4% and 91.0% to approximately HK\$72.2 million and HK\$1.5 million, respectively as compared with the corresponding period of last year.
- Gross profit margin of the Group has decreased to 2.0% for the three months ended 31st March 2017 (three months ended 31st March 2016: 16.7%).
- Loss attributable to owners of the Company for the three months ended 31st March 2017 amounted to approximately HK\$4.4 million (three months ended 31st March 2016: approximately HK\$91.4 million). This significant decrease in the loss was mainly attributable to the Group recording net gains on financial assets at fair value through profit or loss of approximately HK\$17.9 million for the three months ended 31st March 2017 while the Group recorded net losses on financial assets at fair value through profit or loss of approximately HK\$75.8 million for the three months ended 31st March 2016.
- Basic loss per share for the three months ended 31st March 2017 was HK0.2 cent (three months ended 31st March 2016: HK5.1 cents).
- Total equity attributable to owners of the Company as at 31st March 2017 was approximately HK\$2,025.4 million (31st December 2016: approximately HK\$1,958.8 million) or net assets per share of HK\$1.1 (31st December 2016: HK\$1.1).
- The Board does not recommend the payment of any interim dividend for the three months ended 31st March 2017 (three months ended 31st March 2016: Nil).

## THREE-MONTH RESULTS (UNAUDITED)

The board of Directors of the Company (the "Board") is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the three months ended 31st March 2017, together with the comparative unaudited figures for the corresponding period in 2016, 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 2017

		For the three months ended 31st March	
	Notes	2017 HK\$'000	2016 HK\$'000 (Restated)
Revenue	2	<b>72,205</b>	96,851
Cost of sales		<b>(70,753)</b>	(80,634)
Gross profit		<b>1,452</b>	16,217
Other revenue and net income/(loss)	3	<b>31,390</b>	(71,572)
Distribution and selling expenses		<b>(3,937)</b>	(3,928)
General and administrative expenses		<b>(29,165)</b>	(26,601)
Other operating expenses		<b>(1,985)</b>	(3,123)
Loss from operations		<b>(2,245)</b>	(89,007)
Finance costs		<b>(2,166)</b>	(2,384)
Loss before tax		<b>(4,411)</b>	(91,391)
Income tax expenses	4	<b>—</b>	—
Loss for the period		<b>(4,411)</b>	(91,391)
<b>Loss attributable to:</b>			
Owners of the Company	5	<b>(4,411)</b>	(91,394)
Non-controlling interests		<b>—</b>	3
		<b>(4,411)</b>	(91,391)
Loss per share	5		
– Basic		<b>(0.24) cent</b>	(5.07) cents
– Diluted		<b>(0.24) cent</b>	(5.07) cents

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months ended 31st March 2017

	For the three months ended	
	31st March	
	2017	2016
	HK\$'000	HK\$'000
Loss for the period	(4,411)	(91,391)
Other comprehensive income/(loss):		
Items that may be reclassified subsequently to profit or loss:		
Change in fair value of available-for-sale financial assets	68,289	(66,067)
Exchange differences arising on translation of PRC subsidiaries	2,676	2,283
Other comprehensive income/(loss) for the period	70,965	(63,784)
Total comprehensive income/(loss) for the period	66,554	(155,175)
<b>Total comprehensive income/(loss) attributable to:</b>		
Owners of the Company	66,550	(155,178)
Non-controlling interests	4	3
	66,554	(155,175)

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

For the three months ended 31st March 2017

	Attributable to owners of the Company												
	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	Property revaluation reserves HK\$'000	Translation reserves HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity 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
<b>Loss for the period</b>	-	-	-	-	-	-	-	-	-	(4,411)	(4,411)	-	(4,411)
<b>Other comprehensive income:</b>													
Change in fair value of available-for-sale financial assets	-	-	-	-	-	68,289	-	-	-	-	68,289	-	68,289
Exchange differences arising on translation of PRC subsidiaries	-	-	-	-	-	-	2,672	2,672	-	-	2,672	4	2,676
<b>Total other comprehensive income</b>	-	-	-	-	-	68,289	2,672	2,672	-	-	70,961	4	70,965
<b>Total comprehensive income for the period</b>	-	-	-	-	-	68,289	2,672	2,672	-	(4,411)	66,550	4	66,554
<b>Transactions with owners:</b>													
Contributions and distributions	-	-	-	-	(142)	-	-	-	-	142	-	-	-
Share options lapsed	-	-	-	-	(142)	-	-	-	-	142	-	-	-
<b>Total transactions with owners</b>	-	-	-	-	(142)	-	-	-	-	142	-	-	-
<b>As at 31st March 2017</b>	<b>45,077</b>	<b>133,249</b>	<b>8,668</b>	<b>234,621</b>	<b>70,708</b>	<b>43,843</b>	<b>17,264</b>	<b>33,984</b>	<b>(1,113)</b>	<b>1,439,086</b>	<b>2,025,387</b>	<b>1,040</b>	<b>2,026,427</b>

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

For the three months ended 31st March 2017

	Attributable to owners of the Company												
	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	Property revaluation reserves HK\$'000	Translation reserves HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
As at 1st January 2016	45,036	128,416	8,668	234,621	57,655	190,041	16,023	54,348	(1,113)	1,389,024	2,122,719	1,073	2,123,792
<b>Loss for the period</b>	-	-	-	-	-	-	-	-	-	(91,394)	(91,394)	3	(91,391)
<b>Other comprehensive loss:</b>													
Change in fair value of available-for-sale financial assets	-	-	-	-	-	(66,067)	-	-	-	-	(66,067)	-	(66,067)
Exchange differences arising on translation of PRC subsidiaries	-	-	-	-	-	-	-	2,283	-	-	2,283	-	2,283
<b>Total other comprehensive loss</b>	-	-	-	-	-	(66,067)	-	2,283	-	-	(63,784)	-	(63,784)
<b>Total comprehensive loss for the period</b>	-	-	-	-	-	(66,067)	-	2,283	-	(91,394)	(155,178)	3	(155,175)
<b>Transactions with owners:</b>													
Contributions and distributions	-	-	-	-	4,213	-	-	-	-	-	4,213	-	4,213
Equity-settled share based payment	-	-	-	-	4,213	-	-	-	-	-	4,213	-	4,213
<b>Total transactions with owners</b>	-	-	-	-	8,426	-	-	-	-	-	8,426	-	8,426
As at 31st March 2016	45,036	128,416	8,668	234,621	61,868	123,974	16,023	56,631	(1,113)	1,297,630	1,971,754	1,076	1,972,830

## **NOTES:**

### **1. Basis of preparation**

The Group's unaudited condensed consolidated financial statements for the three months ended 31st March 2017 have been prepared in accordance with Hong Kong Accounting Standards issued by Hong Kong Institute of Certified Public Accountants and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM. 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, 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 which 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/(loss)

	<b>For the three months ended</b>	
	<b>31st March</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	<i>HK\$'000</i>
		<i>(Restated)</i>
<b>Other revenue</b>		
Dividend income from listed securities	–	10
Interest income from bank deposits	<b>1,845</b>	742
Interest income from loan receivable	<b>3,256</b>	–
Imputed interest income from investment in an insurance contract	<b>42</b>	33
Rental income from investment properties	<b>1,332</b>	1,753
	<b>6,475</b>	2,538
<b>Other net income/(loss)</b>		
Foreign exchange gain, net	<b>5,134</b>	384
Net unrealised gains/(losses) on financial assets at fair value through profit or loss		
– held for trading	<b>5,437</b>	(34,328)
– designated upon initial recognition	<b>43</b>	2,422
– derivative financial instrument	–	147
Net gains/(losses) on disposal of financial assets at fair value through profit or loss		
– held for trading	<b>11,903</b>	(45,021)
– designated upon initial recognition	<b>558</b>	438
– derivative financial instrument	–	551
Reversal of impairment loss on trade and other receivables	<b>11</b>	91
Sundry income	<b>1,829</b>	1,206
	<b>24,915</b>	(74,110)
	<b>31,390</b>	(71,572)

#### 4. Income tax expenses

The taxation charged to profit or loss represents:

	<b>For the three months ended 31st March</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
PRC enterprise income tax	<u>          -</u>	<u>          -</u>

No PRC enterprise income tax has been provided for the three months ended 31st March 2017 and 2016 as the Group did not have any assessable profit from the PRC for both periods. The income tax provision in respect of operations in the PRC is calculated at the applicable tax rate of 25% on the estimated assessable profits for the three months ended 31st March 2017 and 2016 based on existing legislation, interpretations and practices in respect thereof. One operating subsidiary (three months ended 31st March 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 three months ended 31st March 2017 (three months ended 31st March 2016: 15%). Another operating subsidiary (three months ended 31st March 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 three months ended 31st March 2017 (three months ended 31st March 2016: 9%).

No Hong Kong Profits Tax has been provided for the three months ended 31st March 2017 and 2016 as the Group did not have any assessable profit from Hong Kong for both periods.

#### 5. Loss per share

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

	<b>For the three months ended 31st March</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Loss attributable to owners of the Company	<u><b>(4,411)</b></u>	<u>(91,394)</u>

5. **Loss per share** (Continued)

	<b>For the three months ended</b>	
	<b>31st March</b>	
	<b>2017</b>	2016
	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares for basic loss per share	<b>1,803,089</b>	1,801,429
Effect of dilutive potential ordinary shares:		
Exercise of share options	<u>N/A</u>	<u>N/A</u>
Weighted average number of ordinary shares for diluted loss per share	<u><b>1,803,089</b></u>	<u>1,801,429</u>
Loss per share:		
– Basic	<u><b>(0.24) cent</b></u>	<u>(5.07) cents</u>
– Diluted (Note)	<u><b>(0.24) cent</b></u>	<u>(5.07) cents</u>

*Note:*

Diluted loss per share is the same as the basic loss per share for the three months ended 31st March 2017 and 2016 because the potential ordinary shares arising from the outstanding share options under the Company's share option scheme had an anti-dilutive effect on the basic loss per share during the periods.

6. **Comparative figures**

Certain comparative figures in the unaudited condensed consolidated income statement have been reclassified to conform to current period's presentation as follows:

- (a) Net losses on financial assets at fair value through profit or loss of approximately HK\$75.8 million has been reclassified from other operating expenses to other revenue and net income/(loss).

The Directors consider that the above reclassification enables the unaudited condensed consolidated income statement to be presented in a manner which is most appropriate to the Group's business.

## RESERVES

Movements in the reserves of the Group during the three months ended 31st March 2017 (the "Period") are set out in the unaudited condensed consolidated statement of changes in equity of the financial statements.

## INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the Period (three months ended 31st March 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 box ("STB") business has entered into a period of market maturity. With the accumulation of technological expertise over the years and the Group's own intermediary software platform, the Group can meet the needs of different customers, finish the work of integrating with termination systems and customising 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, etc. Under the intense market competition condition, the Group is facing many opportunities as well as confronting severe challenges. During the Period, the Group's overall revenue amounted to approximately HK\$72.2 million, representing a decrease of 25.4% as compared with the same period of last year. Although the Group's revenue in Hong Kong market for the Period increased by 153.9% to approximately HK\$48.5 million as compared with the same period of last year, the Group's revenue in the PRC and overseas markets significantly decreased by 85.2% and 39.3% to approximately HK\$7.6 million and HK\$16.1 million respectively as compared with the same period of last year due to a decrease in larger sales order received. At the same time, rising prices of raw material 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 91.0% to approximately HK\$1.5 million as compared with the same period of last year and the gross profit margin only reached 2.0% for the Period (three months ended 31st March 2016: 16.7%).

## FINANCIAL AND BUSINESS REVIEW *(Continued)*

In the PRC market, due to the weak procurement sentiment of the PRC customer in the first quarter of 2017 and further 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 decreased by 85.2% to only approximately HK\$7.6 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, Russia, United States, Czechoslovakia, Vietnam, etc. At the same time, the Group is actively exploring new markets in Bulgaria, United Kingdom and Denmark. Although there was an increase in purchase orders from a few overseas customers during the Period, the demand detente from the customer in Australia leads to the sales in Australia for the Period significantly decreased by 54.2% to approximately HK\$11.2 million as compared with the same period of last year. Consequently, overall revenue in overseas markets decreased significantly by 39.3% to approximately HK\$16.1 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 cooperation relationship with a 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. Although the Group's overall revenue in the Hong Kong market increased significantly by 153.9% to HK\$48.5 million for the Period as compared with the same period of last year, the rising prices of raw material led to a negative gross profit margin in this area which caused the overall gross profit of the Group for the Period to decrease.

## FINANCIAL AND BUSINESS REVIEW *(Continued)*

Despite the decrease in the Group's overall revenue, the Group's distribution and selling expenses remain unchanged at approximately HK\$3.9 million for the Period due to the exploration of the overseas markets by the Group during the Period (three months ended 31st March 2016: approximately HK\$3.9 million). At the same time, the Group's general and administrative expenses increased 9.6% to approximately HK\$29.2 million for the Period (three months ended 31st March 2016: approximately HK\$26.6 million). While the finance cost decreased by 9.1% to approximately HK\$2.2 million for the Period as compared with the same period of last year.

The Group's other revenue and net income significantly increased to approximately HK\$31.4 million for the Period (three months ended 31st March 2016: other revenue and net loss approximately HK\$71.6 million). This was due to the improvement of the performance of investments portfolio of the Group in the first quarter of 2017, which caused the Group to record the net gains on financial assets at fair value through profit or loss of approximately HK\$17.9 million for the Period (three months ended 31st March 2016: net losses of approximately HK\$75.8 million). This was the major reason for the significant decrease in the loss attributable to owners of the Company for the Period as compared with the same period of last year.

Other operating expenses of the Group decreased to approximately HK\$2.0 million for the Period (three months ended 31st March 2016: approximately HK\$3.1 million). This was mainly due to the drop in miscellaneous costs together with management fees from securities brokers.

## FINANCIAL AND BUSINESS REVIEW *(Continued)*

As for investment business, the Group conducted some investments in the secondary market. 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. During the Period, the Group recorded net gains on financial assets at fair value through profit or loss of approximately HK\$17.9 million (three months ended 31st March 2016: net losses of approximately HK\$75.8 million).

As a result of the foregoing, the Group recorded a loss attributable to owners of the Company of approximately HK\$4.4 million for the Period (three months ended 31st March 2016: approximately HK\$91.4 million).

### **Key Risks and Uncertainties**

During the Period, the Group endeavored to improve the risk management system on different aspects of company strategies, business operation and finance. A number of risks and uncertainties may affect the financial results and business operations of the Group. For the information home appliances (“IHA”) business, factors such as fierce market competition in the PRC and overseas markets, the possible economic slowdown in the PRC, RMB exchange rate fluctuation, the drop in the selling price of products and the increase of production cost and labour cost may bring uncertain impact on the development of the IHA business of the Group. For the investing business, the frequent changes of market policies and regulations about the PRC stock market and the unclear global economic environment would be the 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.

## FINANCIAL AND BUSINESS REVIEW *(Continued)*

### **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 emits material quantities of air pollution materials during its production and manufacturing process. The Group also strives to minimise the adverse environmental impact by encouraging the employees to recycle office supplies and other materials and to save electricity.

### **Compliance with Laws and Regulations**

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



## BUSINESS PROSPECT

This year will be a challenging year to the Group. Under the current intense market competition conditions, the Group is confronting 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 change 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 put a higher proportion of investment in R&D, continue upgrading its products and also actively develop new products to adopt to new market opportunities. The Group expects its STB business to achieve a better performance in the near future.

Regarding its investment business, the Group will focus on investing 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 Internet Data Center (“IDC”) and cloud computing. To take advantage of its business network and industry credibility 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.

After the reporting period, the Group purchased a land and building of approximately HK\$109.2 million located in the United States to expand the Group’s leasing business and increase steady rental income in the future.

## SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") pursuant to the ordinary resolutions passed by the shareholders of the Company ("Shareholders") at the special general meeting ("SGM") on 14th January 2015 (the "Option Adoption Date"). The Share Option Scheme is valid for ten years from the Option Adoption Date and shall expire at the close of business on the day immediately preceding the 10th anniversary thereof unless terminated earlier by the Shareholders in general meeting.

The total number of shares which may be issued upon the exercise of all share options to be granted under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the total issued share capital of the Company on the Option Adoption Date (the "Scheme Mandate") unless the Company obtains a fresh approval from the Shareholders to renew the 10% limit on the basis that the maximum number of shares in respect of which share options may be granted under the Share Option Scheme together with any share options outstanding and yet to be exercised under the Share Option Scheme and any other share option schemes shall not exceed 30% of the total 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 Options"). 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.

## SHARE OPTION SCHEME (Continued)

Details of the movements of Share Options granted during the three months ended 31st March 2017 and 2016 to subscribe for the shares in the Company are as follows:

### For the three months ended 31st March 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 31st March 2017
<b>Directors</b>									
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	16th January 2015	2.2	16th January 2015 – 15th January 2020	1,000,000	–	–	–	–	1,000,000
<b>Chief Executive Officer</b>									
Mr. Kevin Choo	16th January 2015	2.2	16th January 2015 – 15th January 2020	8,000,000	–	–	–	–	8,000,000
<b>Continuous contract employees</b>	16th January 2015	2.2	16th January 2015 – 15th January 2020	61,550,892	–	1,792,116	–	(192,000)	63,151,008
<b>Suppliers of goods or services</b>	16th January 2015	2.2	16th January 2015 – 15th January 2020	1,920,000	–	–	–	–	1,920,000
<b>Other eligible participants</b>	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>(192,000)</u>	<u>95,571,008</u>
<b>Outstanding as at 31st March 2017</b>									<u>95,571,008</u>
<b>Weighted average exercise price (HK\$)</b>				<u>2.2</u>	<u>–</u>	<u>2.2</u>	<u>–</u>	<u>2.2</u>	<u>2.2</u>

## SHARE OPTION SCHEME (Continued)

For the three months ended 31st March 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 31st March 2016
<b>Directors</b>									
Mr. Zhu Weisha	16th January 2015	2.2	16th January 2015 – 15th January 2020	1,792,116	-	-	-	-	1,792,116
Mr. Chen Furong	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	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
<b>Chief Executive Officer</b>									
Mr. Kevin Choo	16th January 2015	2.2	16th January 2015 – 15th January 2020	8,000,000	-	-	-	-	8,000,000
<b>Continuous contract employees</b>	16th January 2015	2.2	16th January 2015 – 15th January 2020	59,210,776	-	-	-	(406,000)	58,804,776
<b>Suppliers of goods or services</b>	16th January 2015	2.2	16th January 2015 – 15th January 2020	1,920,000	-	-	-	-	1,920,000
<b>Other eligible participants</b>	16th January 2015	2.2	16th January 2015 – 15th January 2020	6,000,000	-	-	-	-	6,000,000
				<b>98,215,008</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(406,000)</b>	<b>97,809,008</b>
Outstanding as at 31st March 2016									<b>97,809,008</b>
Weighted average exercise price (HK\$)				<b>2.2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2.2</b>	<b>2.2</b>

\* At the Option Adoption Date, Share Options granted to the Directors, Chief Executive Officer, continuous contract employees, suppliers of goods or services and other eligible participants are 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 are outstanding and unvested has been removed by the approval of the Shareholders at the SGM held on 8th June 2016.

## SHARE OPTION SCHEME (Continued)

### Notes:

- (i) The price of the shares of the Company ("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 (three months ended 31st March 2016: Nil).

The non-cash share-based payment in respect of the Share Options for the Period was HK\$Nil (three months ended 31st March 2016: approximately HK\$4.2 million).

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

<b>Date of grant</b>	<b>16th January 2015</b>
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 <sup>#</sup>	46%
Expected dividend yield	2.27%
Expected life	3 years to 5 years

<sup>#</sup> 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.

During the Period, there was no movement in the number of shares held under the Share Award Scheme.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st March 2017, 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 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, were as follows:

### (1) Long positions in the shares of the Company

Name of Directors	Nature of interests	Number of ordinary shares	Capacity	Percentage to the total issued share capital of the Company
Mr. 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%
Mr. Wu Jiajun	Personal	600,000	Beneficial owner	0.03%

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

(Continued)

### (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 31st March 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 31st March 2017
				Outstanding as at 1st January 2017	Granted during the period	Exercised during the period	Lapsed during the period	
<b>Directors</b>								
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	16th January 2015	2.2	16th January 2015 – 15th January 2020	1,000,000	-	-	-	1,000,000
<b>Chief Executive Officer</b>								
Mr. Kevin Choo	16th January 2015	2.2	16th January 2015 – 15th January 2020	8,000,000	-	-	-	8,000,000
				<u>24,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,500,000</u>

Further details regarding the Share Option Scheme are set out under the heading "Share Option Scheme" in this report.

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

As at 31st March 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:

### Long positions in the shares of the Company

Name of Shareholders	Nature of interests	Number of ordinary shares	Capacity	Percentage to the total issued share capital of the Company
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%

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

### Long positions in the shares of the Company *(Continued)*

#### Notes:

1. 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 31st March 2017.
2. 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 Yatyan 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 Yatyan 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.
3. 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.

Save as disclosed above, as at 31st March 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 contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Period.

## COMPETING INTERESTS

None of the Directors or 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 the GEM Listing Rules. It currently comprises three independent non-executive Directors, namely Ms. Shen Yan (Chairman), Mr. Zhong Pengrong and Mr. Wu Jiajun.

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 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 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, 11th May 2017

*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.*