



THE STOCK EXCHANGE OF HONG KONG LIMITED

(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)
(the “Exchange”)

22 May 2007

CENSURE

of

Yuxing Infotech Holdings Limited (the “Company”) (stock code: 8005)

and

Mr Zhu Wei Sha, an Executive Director of the Company (“Mr Zhu”)

Mr Shi Guang Rong, an Executive Director of the Company (“Mr Shi”)

Mr Chen Fu Rong, an Executive Director of the Company (“Mr Chen”)

Mr Wang An Zhong, an Executive Director of the Company (“Mr Wang”)

The GEM Listing Committee of the Stock Exchange of Hong Kong Limited (the “GEM Listing Committee”) publicly censures the Company for a breach of Rules 19.34, 19.48 and 19.49 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”).

The GEM Listing Committee publicly censures each of Mr Zhu, Mr Shi, Mr Chen and Mr Wang for their respective breach of the director’s declaration, undertaking and acknowledgement given by each of them in the form set out in Appendix 6A of the GEM Listing Rules (the “Director’s Undertaking”).

Facts

- (i) Beijing Golden Yuxing Electronics and Technology Co., Ltd. (“Golden Yuxing”), a subsidiary of the Company, entered into a transfer agreement with Shanshui Jianlibao Health Industry Investment Co., Ltd. on 10 August 2004 to acquire 10.435 per cent interest in Shenzhen Jiangnan Industrial Development Co., Ltd. (“JI”) at a consideration of RMB217 million (about HK\$204 million) (the “Transaction”). By the Transaction, Golden Yuxing would be indirectly interested in 51 million of the Ping An Insurance (Group) Company of China Limited’s domestic institutional shares which were held by JI.
- (ii) The Transaction constituted a very substantial acquisition of the Company as defined by the GEM Listing Rules.
- (iii) Rule 19.34 of the GEM Listing Rules requires that as soon as a very substantial acquisition has been finalized, the issuer must inform the Exchange and submit an announcement to the Exchange for publication on the GEM website.

- (iv) Rule 19.48 of the GEM Listing Rules requires that in the case of a very substantial acquisition, the issuer must comply with the relevant requirements which include, among other things, (i) where the issuer has signed an agreement in respect of a very substantial acquisition, the issuer must request a short suspension of dealing in its securities pending the publication of the required announcement; and (ii) sending a circular to its shareholders and the Exchange.
- (v) Rule 19.49 of the GEM Listing Rules requires that a very substantial acquisition must be made conditional on approval by shareholders in general meeting.
- (vi) The Director's Undertaking requires that a director of an issuer shall use his best endeavours to procure the issuer's compliance with the GEM Listing Rules.

Breaches

The Exchange has asserted and the Company has admitted a breach of Rules 19.34, 19.48 and 19.49 of the GEM Listing Rules by the Company in relation to the Transaction as follows:

- (i) although the transfer agreement was executed on 10 August 2004, the Company did not request a suspension of trading of its shares until 26 August 2004 (Rule 19.48);
- (ii) the Company did not inform the Exchange of the Transaction until 1 September 2004 (Rule 19.34);
- (iii) the Company did not provide the first draft of an announcement regarding the Transaction until 6 September 2004 although the transfer agreement was executed on 10 August 2004 (Rule 19.34);
- (iv) the Company did not send a circular to its shareholders and the Exchange regarding the Transaction as required by the rule (Rule 19.48); and
- (v) the Transaction was not made conditional on approval by the Company's shareholders in general meeting as required by the rule (Rule 19.49).

Mr Zhu, Mr Shi, Mr Chen and Mr Wang were and are Executive Directors of the Company at the material time and at present. Mr Zhu and Mr Shi were and remain the Chairman and Compliance Officer of the Company respectively. The Exchange has asserted and these four directors have admitted their respective breach of the Director's Undertaking to use their best endeavours to procure the Company's compliance with the GEM Listing Rules in that:

- (i) they should have been aware that a sizable acquisition must be handled with care and carried with it certain obligations as required by the GEM Listing Rules;
- (ii) they failed to act to the best of their ability and use their best endeavours to create adequate and effective compliance procedures to procure the Company's compliance with the GEM Listing Rules; and
- (iii) they failed to act to the best of their ability and use their best endeavours to monitor the progress of the acquisition so as to procure the Company's compliance with the GEM Listing Rules and take timely and effective remedial action.

Decision

As a result of a settlement proposal endorsed by the GEM Listing Committee,

- (i) the Company has accepted a public censure for its breach of Rules 19.34, 19.48 and 19.49 of the GEM Listing Rules;
- (ii) each of Mr Zhu, Mr Shi, Mr Chen and Mr Wang has accepted a public censure for his breach of the Director's Undertaking to use his best endeavours to procure the Company's compliance with the GEM Listing Rules;
- (iii) the Company has agreed to appoint a compliance adviser satisfactory to the Listing Division of the Exchange for at least two years (starting from the date this press release is published); and
- (iv) each of Mr Zhu and Mr Shi has agreed to undertake training in compliance and corporate governance matters on courses held by the Hong Kong Institute of Directors or other institutions satisfactory to the Listing Division of the Exchange for at least 10 hours a year for three consecutive years (starting from the date this press release is published).

Richard Williams, Head of Listing, commented: "The first observation that I would make is that the nature and characteristics of the breaches in this case serve to underline the obligation of the executive management and the directors to give due prominence to compliance with the rules in conducting the business affairs of listed companies. The board of directors as a whole is ultimately accountable for compliance with listing rule obligations so it is vital that they ensure that they are collectively kept informed of the progress of transactions. It is simply unacceptable for executive management to pursue transaction without due regard to the Company's obligations to its shareholders under the Listing Rules.

The second observation is that the decision continues a theme emerging from recent decisions highlighting a drive towards improving corporate behaviour and therefore compliance as well as punishing past conduct. The GEM Listing Committee has here endorsed a package of measures including the appointment of an external compliance adviser for a period of at least two years and requiring the Chairman and compliance officer of the Company to undergo training regularly over the next few years to improve their understanding of the importance of their compliance responsibilities.

The decision was made as a result of a settlement proposal put to the GEM Listing Committee. Issuers and their advisers may wish to note that this, and other decisions published recently, indicate that settlements often display elements fulfilling both of the objectives stated, and may wish to consider this trend in formulating proposals geared towards the settlement of disciplinary action."