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YUXING INFOTECH INVESTMENT HOLDINGS LIMITED

裕興科技投資控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8005)

ISSUE OF CONVERTIBLE BONDS

The Directors are pleased to announce that on 23rd December 2014 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber in relation to the issue of Convertible Bonds.

Based on the initial conversion price of HK\$1.3 per Conversion Share (subject to adjustments), a maximum number of 358,423,360 Conversion Shares will be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds in full, which represent 20% of the existing issued share capital of the Company and 16.67% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The gross proceeds from the issue of the Convertible Bonds will be up to approximately HK\$466.0 million. The net proceeds from the issue of the Convertible Bonds (after deducting related expenses) of up to approximately HK\$465.6 million are intended to be used to fund its business development and possible strategic acquisitions and to replenish the general working capital of the Group.

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

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THE SUBSCRIPTION AGREEMENT

Date: 23rd December 2014

Parties: (i) the Company, as the issuer; and
(ii) Yue Xiu Great China Fixed Income Fund LP, as the Subscriber

Information about the Subscriber

According to the information provided by the Subscriber, the Subscriber is a limited partnership established in the Cayman Islands. To the best of the Directors' knowledge, information and belief having made reasonable enquiries:

- (i) as at the date of this announcement, the Subscriber does not have any interest in the Shares. Assuming all the conversion rights attaching to the Convertible Bonds in the principal amount of approximately HK\$466.0 million are exercised by the Subscriber in full, the Subscriber will be interested in 358,423,360 Shares, representing 20% of the issued share capital of the Company as at the date hereof, and 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the conversion shares upon full exercise of the conversion rights under the Convertible Bonds pursuant to the Subscription Agreement;
- (ii) as at the date of this announcement, the Subscriber and its ultimate beneficial owners are Independent Third Parties; and
- (iii) before entering into of the Subscription Agreement, neither the Subscriber nor its associates has any interests in the Shares or any business dealings with the Group.

Principal amount of the Convertible Bonds

Pursuant to the Subscription Agreement, the Subscriber will subscribe for the Convertible Bonds in the principal amount of up to approximately HK\$466.0 million.

Conditions Precedent

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

- (i) the Listing Committee of the Stock Exchange having granted (either unconditionally or subject only to conditions to which neither the Company nor the Subscriber shall reasonably object) the listing of, and permission to deal in, the Conversion Shares; and
- (ii) the Company having obtained all necessary consents and approvals required to be obtained on the part of the Company in respect of the issue of the Convertible Bonds pursuant to the Subscription Agreement.

If any of the conditions precedent of the Subscription Agreement are not fulfilled on or before 4:00 p.m. on 31st March, 2015 (or such later date as may be agreed between the parties thereto), the Subscription Agreement will be terminated and cease to have any effect and none of the parties shall have any claim against the other save for any antecedent breaches of the provisions thereof.

Completion Date

Completion of the Subscription Agreement will take place on the twenty-second (22nd) Business Day after the fulfillment of the conditions referred to above or on such other date as the Company and the Subscriber may agree in writing. The Company shall issue the Convertible Bonds in the principal amounts to the Subscriber on the Completion Date.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

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

- Issuer: The Company
- Subscriber: Yue Xiu Great China Fixed Income Fund LP
- Principal amount: Up to approximately HK\$466.0 million
- Interest: The Convertible Bonds shall bear interest at rate of 6% per annum. Such interest accrued at the outstanding principal amount of the Convertible Bonds shall only be payable by the Company to the Bondholders within three Business Days after the Bond Maturity Date if the Convertible Bonds are neither converted during the conversion period nor redeemed prior to the Bond Maturity Date.
- Maturity date: The date falling on the first anniversary of the issue of the Convertible Bonds.
- Conversion price: HK\$1.3 per Conversion Share which, for the avoidance of doubt, shall be subject to adjustment provided in the Convertible Bonds. The conversion price represents:
- (i) a discount of 10.34% to the closing price per Share of HK\$1.45 as quoted on the Stock Exchange on the Last Trading Day;
 - (ii) a discount of 7.80% to the average closing price per Share of approximately HK\$1.41 as quoted on the Stock Exchange for the last five consecutive trading days immediately before the Last Trading Day; and
 - (iii) a discount of 7.80% to the average closing price per Share of approximately HK\$1.41 as quoted on the Stock Exchange for the last ten consecutive trading days immediately before the Last Trading Day.

The conversion price of the Convertible Bonds was determined based on arm's length negotiations between the parties with reference to the prevailing market prices of the Shares as quoted on the Stock Exchange.

- Conversion right: Subject to and upon compliance with the terms and conditions of the Convertible Bonds and all regulatory requirements (including without limitation the Takeovers Code and the GEM Listing Rules), the Bondholder shall have the right, at any time during the Conversion Period to convert the Convertible Bonds held by the Bondholder in whole, or in any part representing at least HK\$1,000,000 of the outstanding principal amount of the Convertible Bonds into the Conversion Shares, calculated for each conversion to be the greatest number of Shares, disregarding fractions, obtainable by dividing the aggregate principal amount of the Convertible Bonds to be converted by the initial conversion price of HK\$1.3 per Conversion Share (subject to adjustments), by giving notice (such notice, once given, may not be withdrawn without the consent in writing of the Directors). The Bondholder shall not convert the Convertible Bonds which will cause the Company to be unable to meet the public float requirements as required under Rule 11.23(7) of the GEM Listing Rules or will result in a change of control (as defined in the Takeovers Code) in the Company.
- Conversion period: The period commencing from the 91st day after the Bond Issue Date and ending on the Bond Maturity Date.
- Conversion Shares: The Conversion Shares shall be allotted and issued pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 16th May 2014 to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of such annual general meeting and shall be rank *pari passu* with the Shares in issue on the Conversion Date, except that they shall not be entitled to receive any dividend, distribution or entitlement declared, paid or made by reference to a record date prior to the relevant Conversion Date.
- Based on the conversion price of HK\$1.3 per Conversion Share (subject to adjustments), a maximum number of 358,423,360 Conversion Shares shall be allotted and issued upon exercise in full of the conversion rights attaching to the Convertible Bonds, which represent:
- i. 20% of the existing issued share capital of the Company; and
 - ii. 16.67% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon exercise in full of the conversion rights attaching to the Convertible Bonds.

Redemption: Unless previously redeemed, converted or purchased and cancelled, the Company shall redeem each Convertible Bond then outstanding at a value equal to the aggregate principal amount then outstanding with accrued interest on or before the third (3rd) Business Day after the Bond Maturity Date in cash.

On the occurrence of any event of default (as specified in the terms and conditions of the Convertible Bonds), all the Convertible Bonds then outstanding will be redeemable by the Bondholder at a value equal to the aggregate of the principal amount outstanding under the Convertible Bonds by issuing Shares to the Bondholder at the conversion price of HK\$1.3 per Conversion Share, subject to adjustment provided in the Convertible Bonds. In the event that such conversion will result in the non-compliance with the public float requirements as required under Rule 11.23(7) of the GEM Listing Rules or will result in a change of control (as defined in the Takeovers Code) in the Company, the Company has no obligation to issue Shares to the Bondholder until the public float requirements can be met and there will be no change of control (as defined in the Takeovers Code) in the Company upon such conversion.

Early Redemption: The Bondholder and the Company shall have the right to redeem the Convertible Bond early. After the issuance of the Convertible Bond, both parties may give at least fifteen (15) Business Days' advance notice to redeem all or part only (but no less than HK\$10,000,000) of the aggregate principal amount of the Convertible Bond. Upon receiving the notice of early redemption by the party who wishes to redeem ("**Redeeming Party**"), the other party shall enter into discussion with the Redeeming Party and confirm in writing the Redemption Date and the redemption amount. Unless otherwise confirmed by both parties, the Redemption Date shall be the fifteen (15th) Business Day after the serving of the notice of early redemption. Once the notice of early redemption is served in respect of the Convertible Bond (or relevant part of the Convertible Bond), the Company shall not accept any request by the Bondholder relating to the conversion of the Convertible Bond (or the relevant part of the Convertible Bond). The Company shall at the Redemption Date pay the redemption amount (calculated by the formula below) by wire transfer or in other manner, in cash, to the Bondholder's specified account. Upon receiving the redemption amount on the Redemption Date, the Bondholder shall acknowledge the payment by the Company and the receipt of the redemption amount as specified in this condition in writing and within three (3) Business Days from the payment the Bondholder shall return all bond certificate(s) in respect of the Convertible Bond (or part of the Convertible Bond) being redeemed; if in fact the Company has in accordance with this condition paid the redemption amount, all indebtedness under the Convertible Bond being redeemed shall be deemed to have been repaid in full and the Company may cancel the relevant bond certificate(s). The redemption amount shall be calculated by the following formula:

- (I) Where the redemption notice is served by the Company,
- (a) If the redemption notice is served within 180 days from the Bond Issue Date:

redemption amount = principal amount of Bond to be redeemed x $\{1 + [180/365] \times 6\%$

- (b) If the redemption notice is served within the period from the 181st day after the Bond Issue Date up to the Bond Maturity Date:-

redemption amount = principal amount of Bond to be redeemed x 106%

- (II) Where the redemption notice is served by the Bondholder,

redemption amount = principal amount of Convertible Bond to be redeemed x $\{1 + [\text{the number of dates from the Bond Issue Date to Redemption Date}/365] \times 6\%$

Ranking:	The Convertible Bonds constitute direct unconditional, unsubordinated and unsecured obligations of the Company and rank at least pari passu and rateably without preference (with the exception of obligations in respect of taxes and certain other statutory exceptions) equally with all other present and future unsubordinated and unsecured obligations of the Company.
Transferability:	The Convertible Bonds shall not be transferable without prior written consent of the Company.
Voting rights:	The Convertible Bonds shall not confer on the Bondholder(s) the right to vote at any general meetings of the Company.
Listing:	The Convertible Bonds will not be listed on the Stock Exchange or any other stock exchange.
Covenants in relation to the conversion rights:	<p>So long as any Convertible Bond shall remain convertible the Company shall, unless with the prior written approval of all the Bondholders:</p> <p>(a) keep available for the sole purpose of issue upon conversion of the Convertible Bonds free from preemptive rights out of its authorised but unissued share capital the number of Shares as would have to be issued upon conversion of all the Convertible Bonds outstanding from time to time;</p> <p>(b) not make any redemption of share capital, share premium account or capital redemption reserve involving any repayment to Shareholders either in cash or in specie (other than to the Shareholders having the right on a winding up of the Company to return of capital in priority to other Shareholders) or reduce any uncalled liability in respect thereof;</p>

- (c) not issue or pay up any securities by way of capitalization of profits or reserves other than (1) by the issue of fully paid Shares to the Shareholders; or (2) by the issue of fully-paid share capital of the Company (other than Shares) to the holders thereof of the same class;
- (d) not in any way modify the rights attaching to the Shares or create or issue or permit to be in issue any other class of share capital of the Company carrying any right to income or capital which is more favourable in any respect than the corresponding right attaching to the Shares or attach any special rights or privileges to any such other class of the share capital of the Company provided that nothing in this paragraph (c) shall prevent any consolidation or sub-division of the Shares;
- (e) if an offer is made to all Shareholders (or all Shareholders other than the offeror and/or any offeror controlled by the Company and/or persons acting in concert with the offeror) to acquire all or a proportion of the Shares forthwith give notice of such offer to the Bondholders and use its reasonable endeavours to procure that a like offer is extended to the holders of any Shares allotted or issued pursuant to the exercise by Bondholders of their rights of conversion by reference to a Conversion Date falling during the period of such offer; publication of a scheme of arrangement under the laws of Cayman Islands or a voluntary arrangement under any applicable law providing for the acquisition by any person of the whole or any part of the Shares shall be deemed to be the making of an offer;
- (f) maintain a listing for all the issued Shares on the Stock Exchange, obtain and maintain a listing on the Stock Exchange for all the Shares to be issued on the exercise of the conversion rights under the Convertible Bonds; and
- (g) pay the expenses of the issue of, and all expenses of obtaining a listing on the Stock Exchange for, Shares arising on conversion of the Convertible Bonds.

Event of Default:

- (a) if there is a default in the performance or observance by the Group of any obligations set out in the Convertible Bonds and (except where such failure is not capable of remedy) such default shall continue for ten (10) Business Days after written notice of such default shall have been given to the Company by the Bondholder;
- (b) if an order is made or an effective resolution is passed for winding up, liquidation or dissolution of the Company or any of its material subsidiaries;
- (c) if the holder of any encumbrance takes possession or a receiver is appointed of the whole or material part of the assets or undertaking of the Company and of its material subsidiaries;

- (d) if the Company or any of its material subsidiaries is unable to fulfil any of its obligations for or in respect of its financial indebtedness as and when they fall due or the Company or any such subsidiary shall initiate or consent to proceedings relating to itself under any applicable bankruptcy, reorganisation or insolvency law or make an assignment for the benefit of, or enter into any composition with, its creditors;
- (e) if the trading of the Shares on the Stock Exchange is withdrawn or suspended other than for a temporary suspension of trading for a period of not more than 30 consecutive Business Days;
- (f) if it shall become unlawful for the Company to perform all or any of its obligations under the Convertible Bonds or the Convertible Bonds shall for any reason cease to be in full force or effect or shall be declared to be void or illegal by any court of competent jurisdiction; and
- (g) if there are any litigation, arbitration, prosecution or other legal proceedings outstanding for the time being against the Company or any of its material subsidiaries, or any litigation, arbitration, prosecution or other legal proceedings involving such amount are threatened against the Company or any of its subsidiaries, which may have a significant financial impact on the Group and/or may have a material adverse effect on the operations or the financial position of the Group taken as a whole.

Company's undertakings: So long as any Convertible Bond shall remain convertible the Company shall (among other things) not effect any consolidation or amalgamation with, or merger into any other corporation, or any sale or transfer of all or substantially all of the assets of the Company without the written consent of the majority of Bondholder(s) (such consent not to be unreasonably withheld or delayed). In case of any consolidation or amalgamation of the Company with, or merger of Company into, any other corporation (other than a consolidation or amalgamation or merger in which the Company is the continuing corporation), or in case of any sale or transfer of all or substantially all of the assets of the Group, the Company shall use its best endeavours to cause the corporation formed by such consolidation or amalgamation or the corporation into which the Company shall have been merged or the corporation which shall have acquired such assets, as the case may be, to execute with the holders of all Convertible Bonds then outstanding a supplemental agreement providing that the holder of each Convertible Bond then outstanding shall have the right, during the period such Convertible Bond shall be convertible and to the full extent permitted by law and regulations (including without limitation the Takeovers Code and the GEM Listing Rules), to convert such Convertible Bond into the kind and amount of shares or stock and other securities and property receivable upon such consolidation, amalgamation, merger, sale or transfer by a holder of the number of Shares into which such Convertible Bond might have been converted immediately prior to such consolidation, amalgamation, merger, sale or transfer provided that such conversion shall not result in noncompliance with the public float requirements under Rule 11.23(7) of the GEM Listing Rules by the Company. Such provisions shall similarly apply to successive consolidations, amalgamations, mergers, sales or transfers.

The conversion price for the Convertible Bonds will be subject to adjustment in the following event only as provided in the Convertible Bonds:

Any alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification.

REASONS FOR THE ISSUE OF CONVERTIBLE BONDS AND USE OF PROCEEDS

The Company is an investment holding company with subsidiaries that are principally engaged in the research and development, design, manufacturing, marketing and sale of information home appliances (mainly set-top boxes) and complementary products for distribution and sales in the PRC, Hong Kong and global market. The current major operating segments of the Group are information home appliances, investing and trading.

The Directors consider raising funds by issuing Convertible Bonds provide an opportunity for the Group to enhance its working capital and financial position, as well as bring the flexibility to seize the potential investment opportunity. The Directors consider that the issue of the Convertible Bonds is an appropriate means of raising additional capital for the Company since it will not have an immediate dilution effect on the shareholding of the existing Shareholders. The Directors consider that the terms of the Subscription Agreement, which were arrived at after arm's length negotiations between the Company and the Subscriber, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The gross proceeds from the issue of the Convertible Bonds will be approximately HK\$466.0 million. The net proceeds from the issue of the Convertible Bonds of approximately HK\$465.6 million are intended to be used as funding its business development and possible strategic acquisitions and to replenish the general working capital of the Group. The net price for each Conversion Share is approximately HK\$1.299 (subject to adjustments).

SHAREHOLDING STRUCTURE

The shareholding structure of the Company (i) as at the date of this announcement; and (ii) for illustration purpose only, immediately after the allotment and issue of the Conversion Shares in full upon exercise of the conversion rights under the Convertible Bonds (on the assumptions that the conversion price being HK\$1.3 per Conversion Share and there is no further allotment of Shares from the date of this announcement other than the Conversion Shares) is as follows:

	As at the date of this announcement		Immediately after the allotment and issue of the Conversion Shares in full upon exercise of the conversion rights under the Convertible Bonds	
	Number of Shares	%	Number of Shares	%
Super Dragon Co., Ltd. (the "Super Dragon") (Note 1)	660,000,000	36.83	660,000,000	30.69
Directors (Note 2)	43,359,512	2.42	43,359,512	2.02
Subscriber (Note 3)	–	–	358,423,360	16.67
Public Shareholders	<u>1,088,757,288</u>	<u>60.75</u>	<u>1,088,757,288</u>	<u>50.62</u>
Total	<u>1,792,116,800</u>	<u>100.00</u>	<u>2,150,540,160</u>	<u>100.00</u>

Notes:

1. *The Super Dragon is beneficially owned by Mr. Zhu Wei Sha (an executive Director and the Chairman) as to 63.6%, and Mr. Chen Fu Rong (an executive Director) as to 36.4%, respectively as at the date of this announcement. Both Mr. Zhu Wei Sha and Mr. Chen Fu Rong are directors of Super Dragon.*
2. *As at the date of this announcement, except for the Shares held by the Super Dragon as explained in Note 1, Mr. Zhu Wei Sha, Mr. Shi Guang Rong, Mr. Wang An Zhong, Mr. Zhu Jiang, Mr. Zhong Peng Rong, Mr. Wu Jia Jun and Ms. Shen Yan is interested in 300,000 Shares, 25,060,000 Shares, 6,736,756 Shares, 7,926,756 Shares, 1,600,000 Shares, 1,212,000 Shares and 524,000 Shares respectively.*
3. *The Subscriber does not own any Shares as at the date of this announcement.*

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

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

GENERAL

Completion is subject to the satisfaction of the condition precedent therein. In addition, the Subscription Agreement may be terminated in certain circumstances.

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

DEFINITIONS

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

“associates”	has the meaning ascribed thereto in the GEM Listing Rules
“Board”	the board of Directors
“Bondholder(s)”	holder(s) of the Convertible Bonds
“Bond Issue Date”	the date on which the Convertible Bonds are issued, being the Completion Date
“Bond Maturity Date”	the date falling on the first anniversary of the Bond Issue Date
“Business Day(s)”	a day, other than a Saturday, Sunday, public holiday or a day on which a tropical cyclone warning no. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m., on which licensed banks in Hong Kong are generally open for business
“Company”	Yuxing InfoTech Investment Holdings Limited, a company incorporated in Bermuda with limited liability and whose Shares are listed on GEM
“Completion”	completion of the Subscription Agreement
“Completion Date”	the twenty-second (22nd) Business Days after all the conditions precedent have been fulfilled or such other date as the Company and the Subscriber may agree in writing under the Subscription Agreement
“connected persons”	has the meaning ascribed thereto in the GEM Listing Rules
“Conversion Date”	a day when the conversion rights attaching to the Convertible Bonds are exercised
“Conversion Price”	the conversion price of the Convertible Bonds, initially being HK\$1.3 per Conversion Share (subject to adjustments)
“Convertible Bonds”	the 6% coupon convertible bonds due 2015 in the aggregate amount of up to approximately HK\$466.0 million to be issued by the Company to the Subscriber pursuant to the Subscription Agreement

“Conversion Shares”	Shares fall to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds
“Director(s)”	the director(s) of the Company
“GEM”	The Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	independent third party(ies) who is(are) not connected person(s) (as defined in the GEM Listing Rules) of the Company and is(are) independent of and not connected with the connected persons of the Company
“Last Trading Day”	23rd December 2014, being the last day on which the Shares were traded on the Stock Exchange on or before the release of this announcement
“PRC”	the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Redemption Date”	the date on which the redemption or early redemption takes place
“Shares”	share(s) of nominal value of HK\$0.025 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Subscriber”	Yue Xiu Great China Fixed Income Fund LP, a limited partnership established in the Cayman Islands
“Subscription Agreement”	the conditional subscription agreement dated 23rd December 2014 and entered into between the Company and the Subscriber in relation to the subscription of the Convertible Bonds

“Stock Exchange” The Stock Exchange of Hong Kong Limited
“Takeovers Code” the Hong Kong Code on Takeovers and Mergers
“%” per cent

Yours faithfully,
By order of the Board
Yuxing InfoTech Investment Holdings Limited
Zhu Wei Sha
Chairman

Hong Kong, 23rd December 2014

* *For identification purpose only*

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.

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

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