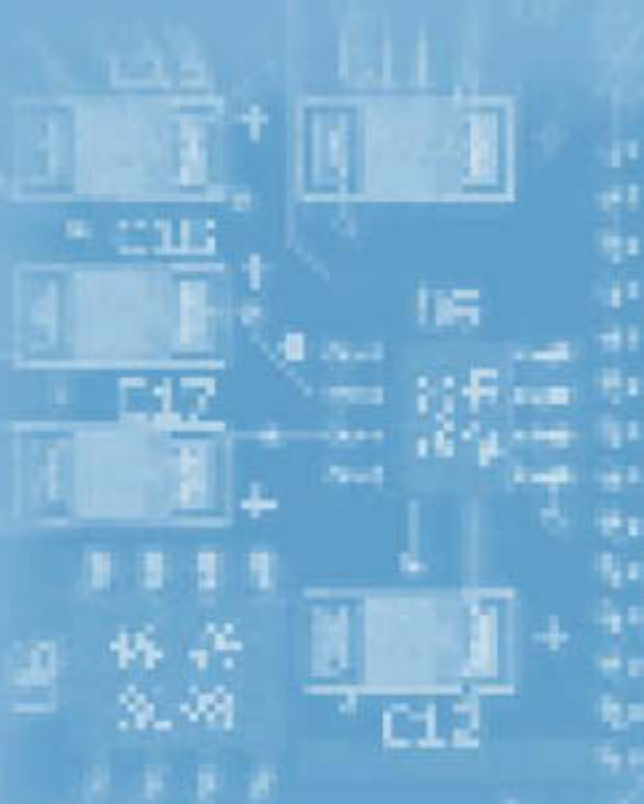




# Yuxing InfoTech Holdings Limited

裕興電腦科技控股有限公司\*

(Incorporated in Bermuda with limited liability)



First Quarter Report 2000

\*for identification purpose only

## **HIGHLIGHTS FOR THE THREE-MONTH PERIOD**

- Turnover achieved approximately HK\$160.6 million for the three months ended 31st March 2000, representing a 16.9% period-to-period growth
- Operating profit increased to approximately HK\$42.2 million with an increase of 16.0%
- Profit attributable to shareholders increased by 36.5% to approximately HK\$43.7 million
- Earnings per share rose by 11.2% to approximately HK\$0.119
- The product series with dancing mat received overwhelming market response
- The implementation of “compatibility plan” of computer education in the PRC with cooperation from the Ministry of Education is in progress

## FIRST QUARTER RESULTS (UNAUDITED)

The Directors of Yuxing InfoTech Holdings Limited (the “Company”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months ended 31st March 2000, together with the comparative unaudited figures for the corresponding period in 1999, prepared in accordance with generally accepted accounting principles in Hong Kong, as follows:

		<b>Three months ended 31st March</b>	
		<b>2000</b>	<b>1999</b>
	<i>Note</i>	<i>HKS'000</i>	<i>HKS'000</i>
Turnover	(2)	160,608	137,417
Cost of inventories sold		(105,684)	(84,871)
<b>Gross profit</b>		<b>54,924</b>	<b>52,546</b>
Other revenue		3,774	177
Selling expenses		(12,386)	(14,475)
Administrative expenses		(3,910)	(1,851)
Other operating expenses		(190)	(6)
<b>Operating profit</b>		<b>42,212</b>	<b>36,391</b>
Non-operating income - Incentive bonuses	(3)	1,462	11,933
<b>Profit before taxation</b>		<b>43,674</b>	<b>48,324</b>
Taxation	(4)	—	(16,330)
<b>Profit attributable to shareholders</b>		<b>43,674</b>	<b>31,994</b>
Transfer to statutory reserves		—	4,457
Dividends		—	—
<b>Earnings per share</b> - Basic	(5)	<b>11.9 cents</b>	<b>10.7 cents</b>

*Notes:*

**(1) Group reorganisation and basis of presentation**

The Company was incorporated in Bermuda on 6th October 1999 as an exempted company with limited liability under the Companies Act of Bermuda. Pursuant to a group reorganisation (the "Reorganisation") in preparation for the listing of the Company's shares on GEM of the Stock Exchange, the Company became the ultimate holding company of the Group on 20th November 1999. Further details of the Reorganisation are set out in the prospectus of the Company dated 25th January 2000 (the "Prospectus"). The Company's shares were listed on GEM of the Stock Exchange on 31st January 2000.

The Reorganisation has been reflected in the accounts by regarding the Group, which comprises the Company and its subsidiaries, as a continuing entity. Accordingly, the Group accounts for the three months ended 31st March 1999 and 2000 have been prepared using the merger basis of accounting as if the group structure had been in existence since 1st January 1999, and comprise the results of the companies now comprising the Group since 1st January 1999 or the date of incorporation whichever is later. In the opinion of the Directors, the accounts prepared on the above basis present fairly the results and the state of affairs of the Group as a whole.

**(2) Turnover**

	<b>Three months ended 31st March</b>	
	<b>2000</b>	<b>1999</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sale of goods		
Multimedia set-top boxes		
- computer VCDs,		
multimedia VCD players	158,110	121,870
Educational computers	966	7,390
Software applications and others	1,532	8,157
	<hr/>	<hr/>
	160,608	137,417
	<hr/> <hr/>	<hr/> <hr/>

**(3) Non-operating income**

The non-operating income represents incentive bonuses granted by the Government of Pinggu County, Beijing, the People's Republic of China (the "PRC") to the Company's subsidiary in the PRC, Beijing Golden Yuxing Electronics and Technology Co., Ltd. ("Golden Yuxing") for the three months ended 31st March 1999 and 2000. Golden Yuxing is categorised as "high-technology" company established in the Jinhaijiao Technology Zone of Pinggu County. The incentive bonuses were granted by Pinggu County Government for the purpose of supporting the expansion of Golden Yuxing's operations. Golden Yuxing is a Sino-foreign co-operative joint venture enterprise in which the Group, according to the relevant joint venture agreement, is entitled to the entire profit, and therefore 100% attributable interest, of Golden Yuxing.

#### (4) **Taxation**

No provision for Hong Kong profits tax has been made as the Group had no assessable profits in Hong Kong for the three months ended 31st March 1999 and 2000. Following the Reorganisation, Golden Yuxing has become a Sino-foreign co-operative joint venture enterprise and is entitled to preferential tax treatments available to foreign investment enterprises in accordance with the relevant tax regulations in the PRC. The preferential treatments include full exemption from PRC income tax for the two years starting from its first profit making year following by a 50% reduction of PRC income tax for the next consecutive three years. The preferential treatments commenced from year 2000 and therefore Golden Yuxing was fully exempt from PRC income tax for the three months ended 31st March 2000 (three months ended 31st March 1999: at a rate of 33%).

#### (5) **Earnings per share**

The calculation of the basic earnings per share for the three months ended 31st March 2000 is based on the unaudited consolidated profit attributable to shareholders of approximately HK\$43,674,000 (three months ended 31st March 1999: HK\$31,994,000) and the weighted average number of 367,032,967 shares (three months ended 31st March 1999: 300,000,000 shares) in issue. In determining the weighted average number of shares in issue, a total of 300,000,000 shares issued on the establishment of the Company and on the Reorganisation of the Group is deemed to have been in issue since 1st January 1999.

Diluted earnings per share is not presented because there were no dilutive potential ordinary shares in existence during the periods.

### **INTERIM DIVIDENDS**

The Directors do not recommend the payment of interim dividends for the three months ended 31st March 2000 (three months ended 31st March 1999: HK\$Nil).

### **BUSINESS OVERVIEW**

- It is the aims of the Group to direct the market towards information appliance in the high technological sector and to continuously increase the brand awareness of the Group on the market. Thus, the Group places significant focus on sales of its premier products, i.e. computer VCDs (also known as multimedia set-top boxes). At the same time, the Group is also actively launching various product models to cope with the needs of different kinds of consumers, in order to increase the market penetration. As a result, not only image of the Group was enhanced, turnover for the first quarter ended 31st March 2000 also increased to approximately HK\$160.6 million, representing 16.9% growth when comparing with the corresponding period of last year.

- The Group has been actively enhancing the performance of its products. Dancing and body fitness training functions were added to its multimedia set-top boxes which were launched during the first quarter ended 31st March 2000. This product series with dancing function was vastly welcomed by the market.
- The Group intends to grasp every opportunity to penetrate into different market sectors. Cooperation with the Ministry of Education for promoting computer education in primary and secondary schools in the PRC is a good example. This cooperation is now entering into a more in-depth stage with material achievements.
- To obtain benefits from business-to-business (“B2B”) e-commerce technology on its sales network, the Group has set up an internal information system. Meanwhile, integration of customer data is in progress so as to pave the way for its future B2B operation.

## **FUTURE PROSPECTS**

- The Group is currently engaged in transplantation of its dancing mat to personal computers and VCD players of other “brands”. It is anticipated that there are 80 million sets of hardware products in the PRC which may be compatible with the Group’s dancing mat. A great market potential for the Group is expected. The Group benefits from the excellent response of the early entry to the market and is widely recognised for its adaption of advance technology. It is anticipated that the sales of dancing mat will significantly increase the Group’s overall sales.
- The Group has successfully implemented its “compatibility plan” for computer education in primary and secondary schools in the PRC. As such, the Directors consider that the resources of the Group built up in the educational sector in the past can be integrated and replenished. Moreover, the reputation and penetration power of the Group’s brand will be strengthened. It is believed that following the promotion of computer education by the Group through its cooperation with the Ministry of Education, an education computer network will soon be established in giving opportunities to the Group for further development.

## **DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS IN SECURITIES**

As at 31st March 2000, the beneficial interests of the Directors in the shares, warrants and options of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (“SDI Ordinance”) which have been notified to the Company and the GEM of the Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests in which they are taken or deemed to have taken under section 31 of, or Part I of the Schedule to, the SDI Ordinance), or which are required pursuant to section 29 of the SDI

Ordinance to be entered in the register referred to therein, or pursuant to rules 5.40 and 5.59 of the GEM Listing Rules), to be notified to the Company and the GEM of the Stock Exchange are as follows:

(a) **Ordinary shares of HK\$0.1 each of the Company**

Name	Type of interest	Number of shares	Percentage of issued share capital
Mr. Zhu Wei Sha	Corporate ( <i>Note 1</i> )	165,000,000	41.25%
Mr. Chen Fu Rong	Corporate ( <i>Note 1</i> )	165,000,000	41.25%
Mr. Shi Guang Rong	Personal ( <i>Note 2</i> )	6,000,000	1.50%
Mr. Wang An Zhong	Personal ( <i>Note 2</i> )	1,084,189	0.27%

*Note 1:* Mr. Zhu Wei Sha and Mr. Chen Fu Rong held these shares through Super Dragon Co., Ltd. (“Super Dragon”), a company in which Mr. Zhu Wei Sha and Mr. Chen Fu Rong have 63.6% and 36.4% of its issued share capital respectively.

*Note 2:* Dragon Treasure Ltd. (“Dragon Treasure”) acted as the trustee and held these shares on behalf of Mr. Shi Guang Rong and Mr. Wang An Zhong.

Save as disclosed above, none of the Directors or their associates had any interests in the share capital of the Company or its associated corporations (as defined in the SDI Ordinance).

(b) **Share options**

Under the share option scheme approved by the shareholders of the Company on 18th January 2000, the Directors may, at their absolute discretion, within a period of ten years from 31st January 2000, invite full time employees of the Group, including Executive Directors of the Company, to take up options to subscribe for shares of the Company subject to the terms and conditions stipulated therein. As at 31st March 2000, no options had been granted under the scheme.

At no time during the three months ended 31st March 2000 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouse or children under 18 years of age to acquire the benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## COMPETING INTERESTS

None of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) has an interest in a business which competes or may compete with the business of the Group.

## SPONSOR'S INTERESTS

As updated and notified by ICEA Capital Limited ("ICEA"), the sponsor, since the listing of the shares of the Company on GEM of the Stock Exchange, and save that Mr. Chen Man Fai, Steven, a director of ICEA, is also an Independent Non-executive Director of the Company:

- (1) neither ICEA nor its associates have any interest in any class of securities of the Company or any other company in the Group (including options or rights to subscribe such securities);
- (2) no director or employee of ICEA who is involved in providing advice to the Company has any interest in any class of securities of the Company or any other company in the Group (including options or rights to subscribe such securities);
- (3) neither ICEA nor its associates expect to have accrued any material benefit as a result of the successful outcome of any transaction, including by way of example, the repayment of material outstanding indebtedness and payment of any underwriting commissions or success fees; and
- (4) no director or employee of ICEA has a directorship in the Company, or any other company in the Group.

Pursuant to the agreement dated 25th January 2000 entered into between the Company and ICEA, ICEA would receive a fee for acting as the Company's retained sponsor for the purpose of chapter 6 of the GEM Listing Rules for the period from 31st January 2000 to 31st December 2002.

## SUBSTANTIAL SHAREHOLDERS

As at 31st March 2000, the register of substantial shareholders maintained under section 16(1) of the SDI Ordinance shows that the Company had been notified of substantial shareholders' interests, being 10% or more of the Company's issued share capital, as follows:

Name	Number of shares	Percentage of issued share capital
Super Dragon ( <i>Note 1</i> )	165,000,000	41.25%
Dragon Treasure ( <i>Note 2</i> )	135,000,000	33.75%

*Note 1:* Super Dragon is a nominee company beneficially owned by Mr. Zhu Wei Sha, as to 63.6%, and Mr. Chen Fu Rong, as to 36.4%.

*Note 2:* Dragon Treasure is a nominee company and acts as the trustee holding shares of the Company on behalf of the past and present employees of the Group, including Mr. Shi Guang Rong and Mr. Wang An Zhong, whose interests in shares of the Company are disclosed in the section "Directors' and chief executives' interests in securities" above.



## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the three months ended 31st March 2000, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **YEAR 2000 COMPLIANCE**

Based on the work done and assessment made by the Group's Year 2000 internal task force, the Directors believe that the Group's internally installed computer systems, products and supplies, where applicable, are Year 2000 compliant. However, due to the complexity of the Year 2000 issue and the interdependence of organisations using computer systems, there can be no assurance that the Group's effort to address this problem, or those of other companies with whom the Group interacts, can completely eliminate the Year 2000 issue. However, up to the date of this report, the Directors are not aware of the Group encountering any major system failures or facing significant operating difficulties relating to the Year 2000 issue.

## **AUDIT COMMITTEE**

The Company established an audit committee on 20th November 1999 with written terms of reference in compliance with the GEM Listing Rules. Two Independent Non-executive Directors of the Company, Mr. Wu Jia Jun and Mr. Chen Man Fai, Steven, were appointed as members of the Company's audit committee. Mr. Chen Man Fai, Steven, was appointed as the chairman of this committee. The primary duty of the audit committee is to review and supervise the financial reporting process and internal controls of the Group.

By Order of the Board  
**Zhu Wei Sha**  
*Chairman*

Hong Kong, 12th May 2000

## **Characteristics of the Growth Enterprise Market (“GEM”) of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”)**

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

**The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.**

*The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*This report, for which the directors of Yuxing InfoTech Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to Yuxing InfoTech Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:— (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*