Yuxing InfoTech Holdings Limited
裕興科技控股有限公司*

(incorporated in Bermuda with limited liability)

Interim Report 2005

* 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 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.

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HIGHLIGHTS FOR THE SIX-MONTH PERIOD

- For the six months ended 30th June 2005, turnover of the Group increased by 37.0% to approximately HK$370.7 million as compared to the corresponding period last year.
- For the six months ended 30th June 2005, gross profit of the Group significantly increased by 46.8% to approximately HK$25.5 million as compared to the corresponding period last year.
- Profit attributable to equity holders of the parent for the three months ended 30th June 2005 amounted to approximately HK$5.2 million, a significant improvement as compared to a loss attributable to shareholders of approximately HK$12.7 million in the corresponding period last year.
- Loss attributable to equity holders of the parent for the six months ended 30th June 2005 amounted to approximately HK$6.5 million (six months ended 30th June 2004: approximately HK$13.7 million).
- Earning per share for the three months ended 30th June 2005 was HK1.31 cents.
- Loss per share for the six months ended 30th June 2005 was HK1.63 cents.
- The Board of the Company does not recommend the payment of an interim dividend for the six months ended 30th June 2005.

INTERIM RESULTS (UNAUDITED)

The board of directors (the "Board") of the Yuxing InfoTech Holdings Limited (the "Company") announces the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the "Group") for the six months and three months ended 30th June 2005 together with the comparative unaudited figures for the corresponding periods in 2004, which statements have been prepared in accordance with generally accepted accounting principles in Hong Kong, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months and three months ended 30th June 2005

		For the six months ended 30th June		For the three months ended 30th June	
	Notes	**2005 HK$'000**	2004 HK$'000	**2005 HK$'000**	2004 K$'000
Turnover	*2*	**370,739**	270,547	**206,599**	133,553
Cost of sales		**(345,191)**	(253,146)	**(189,933)**	(126,859)
Gross profit		**25,548**	17,401	**16,666**	6,694
Other operating income		**9,230**	6,994	**8,316**	1,447
Selling expenses		**(10,961)**	(12,514)	**(4,719)**	(4,821)
General and administrative expenses		**(22,685)**	(17,092)	**(11,542)**	(9,160)
Other operating expenses		**(427)**	(3,306)	**(138)**	(3,207)
Profit/(loss) from operations		**705**	(8,517)	**8,583**	(9,047)
Finance costs		**(4,312)**	(2,506)	**(1,506)**	(1,788)
Share of results of associates		**(147)**	(319)	**(26)**	(92)
(Loss)/profit before taxation	*3*	**(3,754)**	(11,342)	**7,051**	(10,927)
Income tax expense	*4*	**(941)**	(741)	**(615)**	(522)
(Loss)/profit for the period		**(4,695)**	(12,083)	**6,436**	(11,449)
Attributable to:					
Equity holders of the parent		**(6,503)**	(13,654)	**5,236**	(12,694)
Minority interests		**1,808**	1,571	**1,200**	1,245
		(4,695)	(12,083)	**6,436**	(11,449)
(Loss)/earning per share – Basic	*5*	**(1.63) cents**	(3.41) cents	**1.31 cents**	(3.17) cents

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2005

	Notes	(Unaudited) 30th June 2005 HK$'000	(Audited) 31st December 2004 HK$'000 (restated)
Non-current assets			
Property, plant and equipment	*6*	**124,033**	117,374
Prepaid lease payments		**12,218**	12,351
Intangible assets		**688**	1,332
Available-for-sale investments		**6,366**	–
Investments in securities		**–**	6,366
Interests in associates		**605**	753
		143,910	138,176
Current assets			
Inventories		**74,997**	77,243
Trade and other receivables	*8*	**149,454**	100,429
Prepaid lease payments		**291**	291
Taxation recoverable		**127**	127
Available-for-sale investments	*7*	**204,274**	–
Investments in securities		**–**	211,565
Pledged bank deposits	*10*	**14,369**	107,549
Bank balances and cash		**80,428**	127,849
		523,940	625,053
Current liabilities			
Trade and other payables	*9*	**201,801**	193,839
Taxation payable		**2,290**	1,590
Obligations under finance leases – due within one year		**1,446**	1,426
Bank and other loans – due within one year		**124,063**	222,463
		329,600	419,318
Net current assets		**194,340**	205,735
Total assets less current liabilities		**338,250**	343,911

CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

As at 30th June 2005

	(Unaudited) 30th June 2005 HK$'000	(Audited) 31st December 2004 HK$'000 (restated)
Capital and reserves		
Share capital	**40,000**	40,000
Reserves	**275,687**	282,346
Shareholders' funds	**315,687**	322,346
Minority interests	**15,334**	13,526
Total Equity	**331,021**	335,872
Non-current liabilities		
Obligations under finance leases		
– due after one year	**1,648**	2,373
Bank and other loans		
– due after one year	**5,581**	5,666
	7,229	8,039
	338,250	343,911

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30th June 2005

	Attributable to equity holders of the parent							
	Share capital HK$'000	Share premium HK$'000	Statutory reserves HK$'000	Translation reserves HK$'000	Retained profits/(loss) HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1st January 2004	40,000	381,713	11,767	1,079	37,929	472,488	9,091	481,579
Exchange adjustments arising from translation of financial statements of subsidiaries outside Hong Kong and loss not recognised in the condensed consolidated income statement	–	–	–	(485)	–	(485)	–	(485)
Loss for the period	–	–	–	–	(960)	(960)	326	(634)
At 31st March 2004	40,000	381,713	11,767	594	36,969	471,043	9,417	480,460
Exchange adjustments arising from translation of financial statements of subsidiaries outside Hong Kong and gain not recognised in the condensed consolidated income statement	–	–	–	56	–	56	–	56
Loss for the period	–	–	–	–	(12,694)	(12,694)	1,245	(11,449)
At 30th June 2004	40,000	381,713	11,767	650	24,275	458,405	10,662	469,067
Exchange adjustments arising from translation of financial statements of subsidiaries outside Hong Kong and gain not recognised in the condensed consolidated income statement	–	–	–	82	–	82	–	82
Loss for the period	–	–	–	–	(126,141)	(126,141)	2,864	(123,277)
2003 final dividend paid	–	–	–	–	(10,000)	(10,000)	–	(10,000)
At 31st December 2004	40,000	381,713	11,767	732	(111,866)	322,346	13,526	335,872

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

For the six months ended 30th June 2005

	Attributable to equity holders of the parent							
	Share capital HK$'000	Share premium HK$'000	Statutory reserves HK$'000	Translation reserves HK$'000	Retained profits/(loss) HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1st January 2005	40,000	381,713	11,767	732	(111,866)	322,346	13,526	335,872
Exchange adjustments arising from translation of financial statements of subsidiaries outside Hong Kong and gain not recognised in the condensed consolidated income statement	–	–	–	77	–	77	–	77
Loss for the period	–	–	–	–	(11,739)	(11,739)	608	(11,131)
At 31st March 2005	40,000	381,713	11,767	809	(123,605)	310,684	14,134	324,818
Transfer	–	–	4,947	–	(4,947)	–	–	–
Exchange adjustments arising from translation of financial statements of subsidiaries outside Hong Kong and loss not recognised in the condensed consolidated income statement	–	–	–	(233)	–	(233)	–	(233)
Profit for the period	–	–	–	–	5,236	5,236	1,200	6,436
At 30th June 2005	**40,000**	**381,713**	**16,714**	**576**	**(123,316)**	**315,687**	**15,334**	**331,021**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30th June 2005

	For the six months ended 30th June	
	2005	2004
	HK$'000	HK$'000
Net cash (used in)/generated from operating activities	**(35,418)**	10,522
Net cash generated from/(used in) investing activities	**91,750**	(63,526)
Net cash (used in)/generated from financing activities	**(103,599)**	21,083
Net decrease in cash and cash equivalents	**(47,267)**	(31,921)
Net cash and cash equivalents as at 1st January	**127,849**	300,498
Effect of foreign exchange rate changes	**(154)**	(430)
Cash and cash equivalents as at 30th June	**80,428**	268,147
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	**80,428**	268,147

NOTES TO THE ACCOUNT

1 Basis of preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and with the applicable disclosure requirements of Chapter 18 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"). They have been prepared on the historical cost basis except for financial instruments, which are measured at fair values or revalued amounts, as appropriate. The interim results have been reviewed by the Group's Audit Committee.

The accounting policies used in the unaudited condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December 2004 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1st January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests has been changed. The change in presentation has been applied retrospectively. The adoption of the new HKFRSs has had no material effect on how the results for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required. However, the adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and prior accounting periods are prepared and presented:

Share-based payments

In the current period, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1st January 2005. Prior to the application of HKFRS 2, all unvested share options of the Group were granted before 7th November 2002. The Group did not grant any share options on or after 7th November 2002 and no share options had been unvested after 1st January 2005.

1 Basis of preparation *(Continued)*

Financial instruments

In the current period, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for accounting periods beginning on or after 1st January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 and summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

Debt and equity securities previously accounted for under the alternative treatment of Statement of Standard Accounting Practice ("SSAP") 24

By 31st December 2004, the Group classified and measured its debt and equity securities in accordance with the alternative treatment of SSAP 24. Under SSAP 24, investments in debt or equity securities are classified as "trading securities", "non-trading securities" or "held-to-maturity investments" as appropriate. Both "trading securities" and "non-trading securities" are measured at fair value. Unrealised gains or losses of "trading securities" are reported in the profit or loss for the period in which gains or losses arise. Unrealised gains or losses of "non-trading securities" are reported in equity until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for that period. From 1st January 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" that are not part of the hedging relationship and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

Owner-occupied leasehold interest in land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the revaluation model. In the current period, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

2 Turnover and segment information

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

The Group is principally engaged in the research and development, design, manufacturing, marketing, distribution and sales of audio-visual products, information appliances products and complimentary products and electronic components.

An analysis of the Group's turnover and operating results for the periods by business and geographical segments is as follows:

Business segments

	For the six months ended 30th June 2005				
	Information/ home appliances HK$'000	Electronic components HK$'000	Other operations HK$'000	Eliminations HK$'000	Consolidated HK$'000
TURNOVER					
External sales	70,257	295,244	5,238	–	370,739
Inter-segment sales*	60,925	62,238	4,922	(128,085)	–
Total	131,182	357,482	10,160	(128,085)	370,739
RESULTS					
Segment results	(1,137)	1,504	(1,048)	–	(681)
Unallocated income					9,230
Unallocated expenses					(7,844)
Profit from operations					705
Finance costs					(4,312)
Share of results of associates					(147)
Loss before taxation					(3,754)
Income tax expense					(941)
Loss for the period					(4,695)

* *Inter-segment sales were charged at terms determined and agreed between the Group companies.*

2 Turnover and segment information *(Continued)*

Business segments *(Continued)*

	For the six months ended 30th June 2004				
	Information/ home appliances HK$'000	Electronic components HK$'000	Other operations HK$'000	Eliminations HK$'000	Consolidated HK$'000
TURNOVER					
External sales	87,989	176,718	5,840	–	270,547
Inter-segment sales*	63,043	30,986	1,906	(95,935)	–
Total	151,032	207,704	7,746	(95,935)	270,547
RESULTS					
Segment results	(9,760)	1,667	(143)	–	(8,236)
Unallocated income					5,851
Unallocated expenses					(6,132)
Loss from operations					(8,517)
Finance costs					(2,506)
Share of results of associates					(319)
Loss before taxation					(11,342)
Income tax expense					(741)
Loss for the period					(12,083)

* *Inter-segment sales were charged at terms determined and agreed between the Group companies.*

Geographical segments

	Turnover For the six months ended 30th June	
	2005 HK$'000	2004 HK$'000
The People's Republic of China, other than Hong Kong (the "PRC")	**205,441**	171,792
Hong Kong	**143,772**	92,826
Other countries	**21,526**	5,929
	370,739	270,547

3 (Loss)/profit before taxation

(Loss)/profit before taxation has been arrived at after crediting and charging the following items:

	For the six months ended 30th June		For the three months ended 30th June	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Crediting:				
Net realised gains on disposal of available-for-sale investments/ investments in securities	**166**	–	**112**	–
Charging:				
Amortisation of intangible assets	**644**	1,651	**322**	832
Amortisation of prepaid lease payments	**146**	145	**73**	72
Depreciation of owned property, plant and equipment	**3,645**	1,562	**1,844**	783
Total depreciation and amortisation	**4,435**	3,358	**2,239**	1,687
Net realised losses on disposal of investments in securities	**–**	1,488	**–**	3,004
Net unrealised holding losses on investments in securities	**–**	1,585	**–**	2,013

4 Income tax expense

The charge for the period represents Hong Kong Profits Tax calculated at 17.5% (six months and three months ended 30th June 2004: 17.5%) of the estimated assessable profits for the six months and three months ended 30th June 2005.

Taxation in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. Pursuant to the relevant laws and regulations in the PRC, the Group's PRC subsidiaries are exempted from the PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next consecutive three years whilst a PRC subsidiary of the Group is exempted from the PRC income tax for three years starting from the year it commenced business, followed by a 50% reduction on a tax rate of 15% for the next consecutive three years on the assessable income. No provision for the PRC income tax has been made in the accounts as certain PRC subsidiaries of the Group were exempted from the PRC income tax and certain PRC subsidiaries of the Group have no assessable profit for the six months and three months ended 30th June 2005.

The Company had no significant unprovided deferred taxation for the period or at the balance sheet date.

5 (Loss)/earning per share

The calculation of the basic (loss)/earning per share attributable to the ordinary equity holders of the parent is based on the following data:

	For the six months ended 30th June		For the three months ended 30th June	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
(Loss)/profit for the purpose of basic (loss)/earning per share	**(6,503)**	(13,654)	**5,236**	(12,694)
	Number of ordinary shares			
	'000	'000	**'000**	'000
Weighted average number of ordinary shares for the purpose of basic (loss)/earning per share	**400,000**	400,000	**400,000**	400,000

No diluted loss per share has been presented for either period as the assumed exercise of the Company's share options would result in a decrease in loss per share.

No diluted earning per share has been presented for the period because the exercise price of the Company's share options was higher than the average market price for the share for the period.

6 Property, plant and equipment

During the period, the Group expended approximately HK$4,886,000 on the acquisition of building and approximately HK$4,978,000 on the acquisition of plant and equipment for the expansion of the Group's operation.

7 Available-for-sale investments

Pursuant to an agreement dated 10th August 2004, the Group through its wholly owned subsidiary, Beijing Golden Yuxing Electronics and Technology Co., Ltd. ("Golden Yuxing") acquired 10.435% equity interests in Shenzhen Jiangnan Industrial Development Co., Ltd ("JI"), a company which holds certain interests in the domestic institutional shares of Ping An Insurance (Group) Company of China Limited ("Ping An Insurance"), at a consideration of RMB217,000,000 (equivalent to approximately HK$204,274,000) from Shanshui Jianlibao Health Industry Investment Co., Ltd ("SJHII"), a company in which Mr. Zhu Wei Sha, a director of the Company, has an effective 8.1% interest. The H shares of Ping An Insurance are listed on the Stock Exchange. The said consideration was determined with reference to the value of 51,000,000 domestic institutional shares of Ping An Insurance (the "51 Million Ping An Insurance Shares") held directly by JI and indirectly invested therein by Golden Yuxing through its acquisition of the 10.435% equity interests in JI.

The purpose of the transaction was to enable the Group to acquire certain economic benefits in respect of the 51 Million Ping An Insurance Shares held by JI through the entering of a share management agreement between the Group and other shareholders of JI, specifically to receive dividends attributable to the 51 Million Ping An Insurance Shares and to enable the Group to use such shares as security to support its own borrowings. Subsequently, the Group came to know about certain deficiencies in the share management agreement which, in turn, gave rise to uncertainties over the enforceability of the agreement under the PRC laws.

The above transaction constituted a very substantial acquisition under the GEM Listing Rules which required shareholders' prior approval before the acquisition was completed. The acquisition referred to above transaction was completed without the prior approval of the Company's shareholders and as such, the Company breached the GEM Listing Rules.

Although no notification has been served on the Group up to the date of this report, the Directors were informed by JI that the Foshan Police Bureau had requested the Shenzhen Industrial and Commercial Registration Bureau to refuse the transfer, pledge or sale of the 10.435% equity interest in JI held by Golden Yuxing until 14th April 2006.

Given the complexities involved, the Directors are considering various alternatives courses of action to rectify the position. However, up to the date of this report, no formal proposal or action has been established or carried out by the Group.

8 Trade and other receivables

The Group generally grants a normal credit period of 60 to 90 days to its trade customers. As at 30th June 2005, included in trade and other receivables were trade receivables less allowance for bad and doubtful debts of approximately HK$100,684,000 (31st December 2004: approximately HK$72,002,000). The ageing analysis of the trade receivables was as follows:

	30th June 2005 HK$'000	31st December 2004 HK$'000
0–30 days	**62,037**	50,987
31–60 days	**23,015**	11,088
61–90 days	**8,073**	4,485
Over 90 days	**7,559**	5,442
	100,684	72,002

9 Trade and other payables

Included in trade and other payables were trade payables of approximately HK$116,403,000 (31st December 2004: approximately HK$119,743,000). As at 30th June 2005, the ageing analysis of the trade payables was as follows:

	30th June 2005 HK$'000	31st December 2004 HK$'000
0–30 days	**68,022**	55,821
31–60 days	**33,437**	48,606
61–90 days	**2,805**	6,379
Over 90 days	**12,139**	8,937
	116,403	119,743

10 **Pledge of assets**

At 30th June 2005, the following assets were pledged to secure banking facilities and other loan granted to the Group:

(a) Bank deposits of the Group of approximately HK$14,369,000 (31st December 2004: approximately HK$107,549,000);

(b) Available-for-sale investments of the Group with carrying value of approximately HK$5,900,000 (31st December 2004: approximately HK$5,900,000); and

(c) Property, plant and equipment of the Group with carrying value of approximately HK$13,327,000 (31st December 2004: approximately HK$10,453,000).

RESERVES

Movements in the reserves of the Group and the Company during the period are set out in the unaudited condensed consolidated statement of changes in equity of the financial statements.

INTERIM DIVIDENDS

The Board of the Company does not recommend the payment of an interim dividend for the six months ended 30th June 2005 (six months ended 30th June 2004: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover and Gross Profit

During the period under review, the Group's overall operating performance has improved significantly. This superb performance was mainly contributed by the Group's integrated circuits ("IC") division. As a result, the Group recorded an overall turnover of approximately HK$370.7 million, representing a significant growth of 37.0% as compared to the corresponding period last year. Because of higher turnover, the gross profit of the Group significantly increased by 46.8% to approximately HK$25.5 million for the first half of 2005 as compared to the corresponding period last year.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Operating Results

Other Operating Income

As one of the Group's investments had declared dividends of approximately RMB7.1 million to the Group during the period under review, other operating income increased to approximately HK$9.2 million for the six months ended 30th June 2005 (six months ended 30th June 2004: approximately HK$7.0 million).

Operating Expenses

Although the Group managed to improve its operations during the period under review, an increase in the various professional services expenses for the Company pertaining to the resumption of trading in the Company's shares listed on the GEM drove up the overall operating expenses to approximately HK$34.1 million (six months ended 30th June 2004: approximately HK$32.9 million).

Finance Costs

As the Group has financed certain of its investments through bank borrowings, finance costs increased significantly to approximately HK$4.3 million (six months ended 30th June 2004: approximately HK$2.5 million).

Loss for the period

Due to the reasons as mentioned above, a loss attributable to equity holders of the parent of approximately HK$6.5 million was recorded by the Group for the period under review, representing a significant improvement as compared to the corresponding period last year (six months ended 30th June 2004: approximately HK$13.7 million).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW (Continued)

Liquidity, Charge on Group Assets and Financial Resources

As at 30th June 2005, the Group had net current assets of approximately HK$194.3 million. The Group had cash and bank deposits totalling approximately HK$94.8 million, of which approximately HK$14.4 million were pledged with banks for banking facilities. The Group's financial resources were funded mainly by its shareholders' funds except for a long-term mortgage loan with a bank for an office in Hong Kong. As at 30th June 2005, the Group's current ratio was 1.6 times and the gearing ratio, as measured by total liabilities over total assets, was 50.4%. Overall, the financial and liquidity positions of the Group remain at a stable and healthy level.

Capital Structure

The shares of the Company were listed on the GEM on 31st January 2000. There has been no change in the capital structure of the Company since that date.

Significant Investments/Material Acquisitions and Disposals

During the year of 2004, the Group made an indirect investment in 51 million domestic institutional shares of Ping An Insurance (Group) Company of China Limited ("Ping An Insurance"), one of China's largest insurance companies through the acquisition of the 10.435% equity interest in Shenzhen Jiangnan Industrial Development Co., Ltd. ("JI") as referred to in an agreement dated 10th August 2004. For the financial year 2004, Ping An Insurance recorded net earnings per share of RMB0.56 and declared a dividend of RMB0.14 per share. The Directors are confident that Ping An Insurance and its shareholders will continue to benefit from the robust economic development of the People's Republic of China (other than Hong Kong) (the "PRC").

For the six months ended 30th June 2005, the Group had no significant investments and no material acquisitions or disposals.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Segment Information

The external sales of the information/home appliances ("IHA") segment for the period under review has decreased by 20.2% to HK$70.3 million as compared to the corresponding period last year. Although there was the steady demand from PCCW-HKT Limited for its NOW broadband television ("TV") during the period under review, the on-going overall restructuring of the audio-visual ("AV") division in the IHA segment continues to suffer a significant decline in turnover. As a result, the total turnover of the IHA segment decreased by 13.1% as compared to the corresponding period last year. Nevertheless, an operating loss of approximately HK$1.1 million was recorded and indicated a significant improvement in this segment comparing a loss of approximately HK$9.8 million in the corresponding period last year.

In the segment of electronic components ("EC"), the IC division's continuous effort in expanding its market presence and newly introduced products and services, which have been well-received by the market, have pushed the overall EC segment's turnover to a superb growth of 72.1% to approximately HK$357.5 million as compared to the corresponding period last year. Hence an operating profit of approximately HK$1.5 million was recorded in this segment.

Geographical markets of the Group were mainly located in the PRC. However, starting from 2003, the Group has actively explored its Hong Kong and overseas market with turnover increased by 54.9% and 263.1% respectively as compared to the corresponding period last year.

Exposure to Fluctuations in Exchange Rates

Most of the trading transactions of the Group were denominated in US dollars and in Renminbi. While assets of the Group were mainly denominated in Renminbi and the remaining portions were denominated in Hong Kong dollars. The official rates for US dollars and Renminbi have been stable for the period under review. No hedging or other alternative measures have been implemented by the Group. As at 30th June 2005, the Group had no significant exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Human Resources

As at 30th June 2005, the Group had over 900 full time employees, of which 16 were based in Hong Kong and the rest were in the PRC. For the six months ended 30th June 2005, staff costs amounted to approximately HK$8.8 million (six months ended 30th June 2004: approximately HK$8.5 million). All employees of the Company's subsidiaries are selected and promoted based on their suitability for the position offered. The salary and benefit levels of the Group's employees are in line with the market. Employees are rewarded on a performance-related basis within the general framework of the Group's remuneration system which is reviewed annually. In addition to the basic salaries, staff benefits include medical scheme, various insurance schemes and share options.

BUSINESS REVIEW

The trading in the shares of the Company on GEM has been suspended since 26th August 2004, pending the publication of an announcement of the Group's acquisition of 10.435% equity interests in JI and its indirect investment in 51 million domestic institutional shares of Ping An Insurance through the Group's wholly-owned subsidiary, Beijing Golden Yuxing Electronics and Technology Co., Ltd. Since 24th March 2005, the Group's Chairman and President, Mr. Zhu Wei Sha, has been detained by the Foshan Police Bureau in connection with an investigation of a potential embezzlement case in the PRC. As the investigation is still ongoing, the Company is not in the position to comment thereon further. Nevertheless, further development in this respect will be announced as and when appropriate.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW *(Continued)*

For the first half of the fiscal year, the Group's revenue continues to enjoy a superb growth rate of 37.0% to approximately HK$370.7 million. In addition, the Group's operating profit has returned to positive with a gain of approximately HK$0.7 million. The positive operating profit was attributed to the continuous superb performances from the Group's IC division. However, such superb contribution in operating profit are negated by the higher expenses incurred on various professional services engaged by the Company pertaining to the resumption of trading in the Company's shares listed on GEM and the poor performance of OEM/optical components ("OEM") division of the Group. The expenses for professional services amounted to approximately HK$3.3 million for the six months ended 30th June 2005. Meanwhile, the OEM division of the Group contributed a loss of approximately HK$7.5 million. Furthermore, after much higher interest expenses which were incurred due to financing of the Group's indirect investment in domestic institutional shares of Ping An Insurance, the Group incurred a loss of approximately HK$6.5 million for the first half of this fiscal year. On the other hand, this also indicates that the Group has made a profit of approximately HK$5.2 million for the three months ended 30th June 2005, a significant improvement as compared to a loss of approximately HK$12.7 million in the corresponding period last year. From the results presented, the Group has generated an operating performance that is more superb than those of previous three years.

As mentioned above, the Group's 51% owned IC distribution continued its excellent growth operational-wise for the six months ended 30th June 2005. The overall sales of this division has increased by 65.1% from the corresponding period of last year, reaching approximately HK$275.3 million. The strong demand for the division's various new products and services is the main reason for this superior performance.

Meanwhile, the Group's AV division has successfully restructured its business with significant reduction in terms of size and scale. However, this division still recorded an operating loss of approximately HK$1.9 million for the first half of the fiscal year.

As the issues with the Group's AV division subside, the Group's new problematic division is now the OEM division which, as mentioned earlier, incurred significant loss for the first half of the fiscal year. The divisional senior management has been working strenuously to improve the performance of this division which has shown certain improvement in terms of operation and profitability towards the end of the period under review.

BUSINESS PROSPECT

Over the past few months, the Group has made great progresses towards the resumption of trading in the Company's shares as the Company has worked closely with its professional advisers in clearing any outstanding issues with the Stock Exchange and other regulators. Although the Group cannot be sure as to when the resumption of the trading in the Company's shares will take place, the Group continues to be very confident that this shall happen within the foreseeable future.

In addition, the Group has reached preliminary understanding with JI such that the Group's investment in JI and indirect investment in domestic institutional shares of Ping An Insurance will be restructured so that the Group will likely be able to prove affirmatively the value of the investment that caused the qualification in the Group's 2004 annual report. Furthermore, towards the end of first half of fiscal year 2005, the Group has also reached preliminary understanding with both Xing Yip Commercial Bank, Guangdong Branch and other related parties such that the Group will no longer be responsible for the RMB65 million loan that the Group borrowed and on-lent to Shanshui Jianlibao Health Industry Investment Co., Ltd. and its associates. In other words, the Group will be able to write off the loan of RMB65 million that is currently on the Group's balance sheet, and this will translate to an exceptional income of RMB65 million. Nevertheless, both of the above outstanding issues are expected to be completed by the end of this year and will likely be reflected on the Group's 2005 annual report.

In terms of operation, the Group continues to expect that the IC division will maintain its strong growth momentum as this division will introduce more new digital consumer electronics products with its own designed-in solutions. As the overall electronics industry continues to fragment, more and more electronics manufacturers are outsourcing their research and development work to third-party design houses in order to introduce new products at a faster rate and thus becoming more competitive. As the trend continues, the IC division of the Group will definitely benefit from this trend.

BUSINESS PROSPECT *(Continued)*

Meanwhile, in addition to PCCW-HKT Limited and the Japanese customer, the IA division has developed a third major customer which is a major telecom equipment provider. A small initial order has been placed to this division. However, it is expected that the demand will ramp up towards the end of this year and voluminous shipment will begin in early 2006. According to a US renowned research firm, In-Stat/MDR, the global revenue from IP/DSL set-top box is expected to increase from approximately US$300 million in 2005 to over US$700 million in 2008. In-Stat/MDR also forecasts that the demand is expected to see an even larger rise as more and more telecom service providers will begin to offer IPTV services in 2006 and 2007. In order to capture this opportunity, the Group is currently expanding the IA division's operation through various means including the possibilities of forming a joint venture with a renowned third party.

Lastly, as the Group's AV division has become more stabilized, the Group's senior management is working closely with its current problem child, the OEM division. The OEM division, which caused the majority of the loss for the Group in the first half of the fiscal year, has undergone various cost cutting and efficiency improvement measures. Preliminary results are encouraging as the loss in June 2005 has reduced to half of the average of the first five months of the fiscal year. The effects of these measures are expected to be more apparent towards the second half of this year which the Group expects to see much better results from the OEM division and thus, helping the Group to improve its overall reporting profit.

SHARE OPTION SCHEME

Pursuant to the ordinary resolutions passed by the shareholders of the Company at a special general meeting held on 18th May 2003, it was approved that the previous share option scheme of the Company adopted on 18th January 2000 (the "Previous Scheme") was terminated and a new share option scheme (the "Existing Scheme") was adopted. A summary of the principal terms of the rules of the Existing Scheme can be referred to in the circular of the Company dated 24th April 2003.

SHARE OPTION SCHEME *(Continued)*

No further share option will be offered under the Previous Scheme upon its termination. Nevertheless, all share options granted under the Previous Scheme (the "Previous Granted Options") prior to its termination will continue to be valid and exercisable in accordance with the provisions of the Previous Scheme. The Previous Scheme will remain in force in all other aspects and to the extent necessary to give effect to the exercise of the Previous Granted Options.

The following table discloses details of the Previous Granted Options held by an Executive Director and the employees of the Company under the Previous Scheme and movements during the period under review:

				Number of share options				
	Date of grant	Exercisable period	Exercise price per share HK$	At 1st January 2005	Exercised during the period	Granted during the period	Cancelled/ lapsed during the period	At 30th June 2005
Director – Mr. Wang An Zhong	28th November 2000	28th November 2001 – 27th November 2005	0.95	1,000,000	–	–	–	1,000,000
Continuous Contract Employees	27th June 2000	27th June 2001 – 26th June 2005	4.80	5,000,000	–	–	–	5,000,000
	28th November 2000	28th November 2001 – 27th November 2005	0.95	5,420,000	–	–	–	5,420,000
	3rd December 2000	3rd December 2001 – 2nd December 2005	0.95	550,000	–	–	–	550,000
	4th December 2000	4th December 2001 – 3rd December 2005	0.95	140,000	–	–	–	140,000
	9th February 2001	9th February 2002 – 8th February 2006	0.83	3,110,000	–	–	–	3,110,000
	11th April 2001	11th April 2002 – 10th April 2006	0.75	1,980,000	–	–	–	1,980,000
				17,200,000	–	–	–	17,200,000

No share options had been granted under the Existing Scheme during the period under review.

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

As at 30th June 2005, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as required, pursuant to the minimum standards of dealing by Directors as referred to in rule 5.46 of the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

(1) Long positions in the shares of the Company

Name of Director	Nature of interests	Number of ordinary shares	Capacity	Percentage to the issued share capital of the Company
Mr. Zhu Wei Sha	Corporate *(Note 1)*	165,000,000	Interest of a controlled corporation	41.25%
Mr. Chen Fu Rong	Corporate *(Note 1)*	165,000,000	Interest of a controlled corporation	41.25%
Mr. Shi Guang Rong	Personal *(Note 2)*	6,000,000	Beneficial owner	1.50%
Mr. Wang An Zhong	Personal *(Note 2)*	1,084,189	Beneficial owner	0.27%

Notes:

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

2. Dragon Treasure Ltd. ("Dragon Treasure") is a nominee company and acts as the trustee for holding these shares on behalf of the past and present employees of the Group including Mr. Shi Guang Rong and Mr. Wang An Zhong.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES AND UNDERLYING SHARES *(Continued)*

(2) Long positions in the underlying shares of the Company

Pursuant to the Previous Scheme, a Director in the capacity of beneficial owners was granted unlisted and physically settled share options to subscribe for shares of the Company, details of which as at 30th June 2005 were as follows:

				Number of share options			
Name of Director	Date of grant	Exercisable period	Exercise price per share HK$	At 1st January 2005	Exercised during the period	Granted during the period	At 30th June 2005
Mr. Wang An Zhong	28th November 2000	28th November 2001 – 27th November 2005	0.95	1,000,000	–	–	1,000,000

Nature of interests	Number of ordinary shares	Capacity	Percentage to the issued share capital of the Company
Personal	1,000,000	Beneficial owner	0.25%

(3) Aggregate long positions in the shares and underlying shares of the Company

Name of Director	Aggregate number in ordinary shares	Aggregate number in underlying shares	Total	Percentage to the issued share capital of the Company
Mr. Zhu Wei Sha	165,000,000	–	165,000,000	41.25%
Mr. Chen Fu Rong	165,000,000	–	165,000,000	41.25%
Mr. Shi Guang Rong	6,000,000	–	6,000,000	1.50%
Mr. Wang An Zhong	1,084,189	1,000,000 *(Note)*	2,084,189	0.52%

Note:

These are the shares underlying the unlisted physical settled share options granted to Mr. Wang An Zhong under the Previous Scheme. Details of such share options are disclosed under "Long positions in the underlying share of the Company" above.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES AND UNDERLYING SHARES *(Continued)*

Save as disclosed above, none of the Directors or chief executive of the Company had, as at 30th June 2005, any interests or short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as required to be notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by Directors as referred to in rule 5.46 of the GEM Listing Rules.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far as is known to any Director or chief executive of the Company, as at 30th June 2005, the following were the substantial shareholders (other than Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in the shares of the Company

Name of shareholder	Nature of interests	Number of ordinary shares	Capacity	Percentage to the issued share capital of the Company
Super Dragon *(Note 1)*	Corporate	165,000,000	Beneficial owner	41.25%
Dragon Treasure *(Note 2)*	Corporate	134,508,000	Trustee	33.63%

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSEABLE UNDER THE SFO *(continued)*

Notes:

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

2. Dragon Treasure is a nominee company and acts as the trustee for holding these shares on behalf of the past and present employees of the Group including Mr. Shi Guang Rong and Mr. Wang An Zhong, whose interests in the shares and underlying shares of the Company are disclosed in the section "Interests and short positions of Directors and chief executive in the shares and underlying shares" above.

Save as disclosed above, as at 30th June 2005, the Company has not been notified by any person (other than Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

OTHER INTERESTS DISCLOSEABLE UNDER THE SFO

Save as disclosed in the sections "Interests and short positions of Directors and chief executive in the shares and underlying shares" and "Interests and short positions of substantial shareholders discloseable under the SFO" above, so far as is known to the Director, there is no other person who has an interest or short position in the shares and underlying shares that is discloseable under the SFO.

COMPETING INTERESTS

None of the Directors or management shareholders of the Company and their respective associates (as defined under the GEM Listing Rules) has an interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group.

AUDIT COMMITTEE

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

The Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group's audit. The primary duties of the Committee are to review and supervise the financial reporting process of the Group. It also reviews the effectiveness of both the external audit and of internal controls and risk evaluation. The Committee comprises three independent non-executive Directors of the Company, namely Mr. Wu Jia Jun, Mr. Zhong Peng Rong and Ms. Shen Yan. Mr. Wu Jia Jun was appointed as the chairman of the Committee. Two meetings were held during the six months ended 30th June 2005.

The Group's unaudited results for the six months and three months ended 30th June 2005 have been reviewed by the Committee, who is of the opinion that such financial statements comply with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

SECURITIES TRANSACTIONS BY DIRECTORS

Although the Company has not adopted any code of conduct regarding Directors' securities transactions, it has made specific enquiry of all Directors (save as Mr. Zhu Wei Sha) and the Directors have confirmed that they have complied with all the required standard of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules during the period under review.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the period under review, except that:

A2.1 The chairman and chief executive officer of the Company are the same individual;
A4.2 Not all Directors are subject to retirement by rotation at least once every three years;
B1.1 The Company has not yet drafted the specific written terms of reference of the remuneration committee; and
E1.2 The chairman of the Board had not attended the 2005 annual general meeting.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's shares during the six months ended 30th June 2005.

By Order of the Board
Yuxing InfoTech Holdings Limited
Chen Fu Rong
Deputy Chairman

Shenzhen, the PRC, 12th August 2005

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