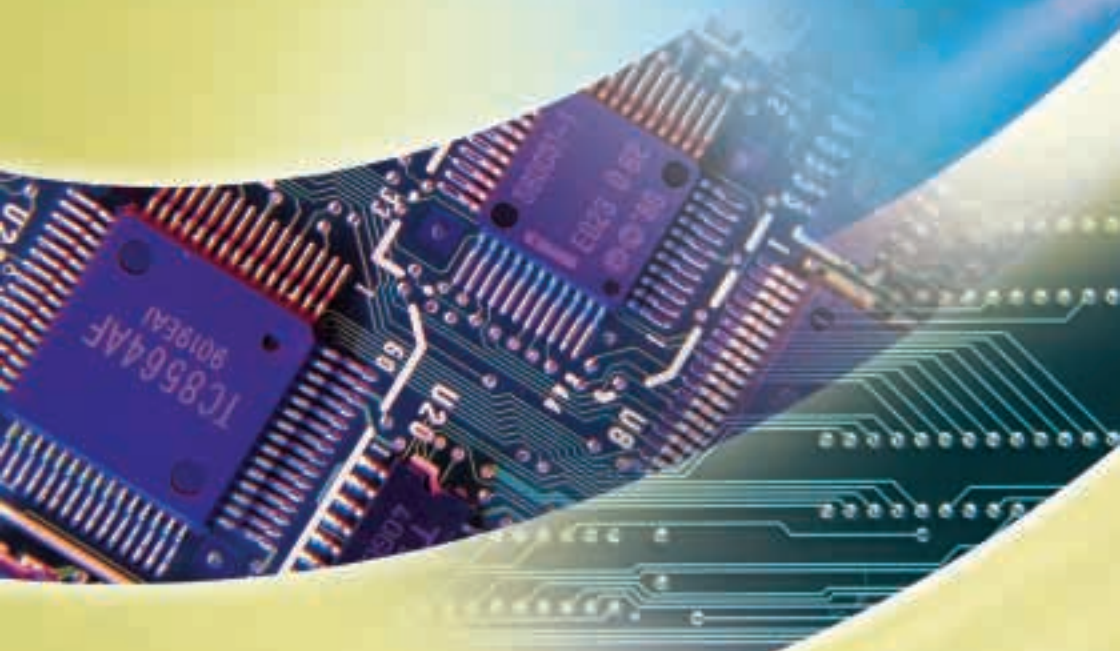




Yuxing InfoTech Holdings Limited

裕興科技控股有限公司*

(incorporated in Bermuda with limited liability)



Third quarterly 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.

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.

HIGHLIGHTS FOR THE NINE-MONTH PERIOD

- For the nine months ended 30th September 2005, turnover of the Group increased by 35.4% to approximately HK\$616.0 million as compared to the same period last year.
- For the nine months ended 30th September 2005, gross profit of the Group significantly increased by 52.3% to approximately HK\$53.3 million as compared to the same period last year.
- Net profit for the three months and nine months ended 30th September 2005 amounted to approximately HK\$11.1 million and HK\$4.6 million respectively.
- Earnings per share for the three months and nine months ended 30th September 2005 were HK2.77 cents and HK1.15 cents respectively.
- The Board of the Company does not recommend the payment of an interim dividend for the nine months ended 30th September 2005.

NINE-MONTH RESULTS (UNAUDITED)

The board of directors (the "Board") of Yuxing InfoTech Holdings Limited (the "Company") announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the nine months and three months ended 30th September 2005 together with the comparative unaudited figures for the corresponding periods in 2004, prepared in accordance with generally accepted accounting principles in Hong Kong, as follows:

	Notes	Nine months ended 30th September		Three months ended 30th September	
		2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Turnover	2	616,019	454,881	245,280	184,334
Cost of sales		(562,733)	(419,901)	(217,542)	(166,755)
Gross profit		53,286	34,980	27,738	17,579
Other operating income		11,118	9,267	1,888	2,273
Selling expenses		(15,788)	(14,182)	(4,827)	(1,668)
General and administrative expenses		(32,908)	(29,710)	(10,223)	(12,618)
Other operating expenses		(1,102)	(3,352)	(675)	(46)
Profit/(loss) from operations		14,606	(2,997)	13,901	5,520
Finance costs		(5,739)	(4,212)	(1,427)	(1,706)
Share of results of associates		(147)	(359)	-	(40)
Gain on liquidation of an associate		1,395	-	1,395	-
Gain on disposal of a subsidiary		27	-	27	-
Profit/(loss) before taxation		10,142	(7,568)	13,896	3,774
Income tax expenses	3	(1,818)	(1,541)	(877)	(800)
Net profit/(loss) for the period		8,324	(9,109)	13,019	2,974
Net profit/(loss) for the period attributable to:					
Equity holders of the parent		4,592	(12,535)	11,095	1,119
Minority interests		3,732	3,426	1,924	1,855
		8,324	(9,109)	13,019	2,974
Earnings/(loss) per share					
- Basic	4	1.15 cents	(3.13) cents	2.77 cents	0.28 cent

Notes:

1. Basis of preparation

The unaudited consolidated income statement has been prepared in accordance with Hong Kong Accounting Standard 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. 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 results have been reviewed by the Group’s Audit Committee.

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. 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.

2. Turnover

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.

3. Income tax expenses

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

The amount of taxation for the period represents:

	Nine months ended 30th September		Three months ended 30th September	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Hong Kong profits tax	<u>1,818</u>	<u>1,541</u>	<u>877</u>	<u>800</u>

The Group had no significant unprovided deferred taxation for the nine months and three months ended 30th September 2005 (nine months and three months ended 30th September 2004: Nil).

4. Earnings/(loss) per share

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

	For the nine months ended 30th September		For the three months ended 30th September	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Net profit/(loss) for the purpose of basic earnings/(loss) per share	<u>4,592</u>	<u>(12,535)</u>	<u>11,095</u>	<u>1,119</u>
	Number of ordinary shares			
	'000	'000	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>

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

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

RESERVES

There were no transfers to or from reserves of the Group during the nine months ended 30th September 2005 and 2004.

INTERIM DIVIDENDS

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

BUSINESS REVIEW

Despite the suspension of trading in the Company's shares listed on GEM since 26th August 2004 and the current detention of the Group's Chairman and President, Mr. Zhu Wei Sha, by the Foshan Police Bureau, the Group's overall operating performance has improved significantly during the period under review. This superb performance was mainly contributed by the Group's integrated circuits ("IC") division and the increasing demand for the Group's Internet Protocol/Digital Subscriber Line ("IP/DSL") set-top box ("STB"). As a result, the Group recorded an overall turnover of approximately HK\$616.0 million, representing a significant growth of 35.4% as compared to the corresponding period last year. Because of higher turnover, the gross profit of the Group significantly increased by 52.3% to approximately HK\$53.3 million for the first three quarters of 2005 as compared to the corresponding period last year.

However, such superb contribution in operating profit had been 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\$4.4 million for the nine months ended 30th September 2005. Furthermore, after much higher finance costs which were mainly incurred due to the financing of the Group's indirect investment in domestic institutional shares of Ping An Insurance (Group) Company of China Limited ("Ping An Insurance"), the Group still registered a net profit of approximately HK\$4.6 million for the nine months ended 30th September 2005. On the other hand, this also indicates that the Group has made a net profit of approximately HK\$11.1 million for the three months ended 30th September 2005, a significant improvement as compared to a net profit of approximately HK\$1.1 million in the corresponding period last year.

Nevertheless, the only issue with the Group's current operation is the OEM division. The senior management of the OEM division has been working strenuously to improve the performance of this division which has shown certain improvement in terms of operation and profitability in the third quarter of this fiscal year. Through introduction of new business model and introduction of various new products such as digital radio, portable media player, advertisement kiosk, digital video broadcasting receivers, etc, the utilization of the manufacturing facility has significantly improved.

BUSINESS PROSPECT

Over the past few months, the Group has made progresses towards the resumption of trading in the Company's shares. Although the Group cannot be sure as to when the resumption of the trading in the Company's shares will commence, the Group remains optimistic that this shall happen within the foreseeable future. In addition, the Group continues to discuss with various parties about the Group's investment in Shenzhen Jiangnan Industrial Development Co., Ltd. and indirect investment in domestic institutional shares of Ping An Insurance with hopes to lift the qualified opinion occurred in the Group's 2004 annual report.

In terms of operation, the Group continues to expect the IC division to maintain its strong growth momentum as this division will introduce more new digital consumer electronics products with its own designed-in solutions. Meanwhile, the demand and shipment for the Group's IP/DSL STB continues to increase. According to the latest finding by a renowned US-based research institute, In-Stat/MDR, the global demand for IP/DSL STB is expected to grow from approximately 1.7 million units in 2004 to about 16.9 million units by the year 2009, a cumulative average annual growth rate of 58.3%. As one of the major players in this industry, the Group is very well positioned to capture the potentials in this market segment.

Lastly, the OEM division, which caused the majority of the operating loss for the Group in the first three quarters of this fiscal year, has undergone various cost cutting and efficiency improvement measures. Preliminary results are encouraging as the loss in the third quarter of this fiscal year has reduced significantly. The effects of these measures are expected to be more apparent towards the remaining 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.

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

As at 30th September 2005, the interests or short positions of the Directors and chief executive of the Company in the shares and underlying shares 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 the Directors as referred to in rule 5.46 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”), to be notified to the Company and the Stock Exchange were as follows:

(1) Long positions in the shares of the Company

Name of Directors	Nature of interests	Number of ordinary shares	Capacity	Percentage to the 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 acting 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 THE 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 share option scheme of the Company adopted on 18th January 2000 (which was terminated with effect from 18th May 2003) (“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 September 2005 were as follows:

Name of Director	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options			
				At 1st January 2005	Exercised during the period	Granted during the period	At 30th September 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 Directors	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 shares of the Company” above.

INTERESTS AND SHORT POSITIONS OF THE 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 September 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 the 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 September 2005, the following were the substantial shareholders (other than the 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 shareholders	Nature of interests	Number of ordinary shares	Capacity	Percentage to the issued share capital of the Company
Super Dragon (<i>Note 1</i>)	Corporate	165,000,000	Beneficial Owner	41.25%
Dragon Treasure (<i>Note 2</i>)	Corporate	134,508,000	Trustee	33.63%

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 the Directors and chief executive in the shares and underlying shares" above.

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

Save as disclosed above, as at 30th September 2005, the Company has not been notified by any person (other than the 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 the 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 Directors, 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. Three meetings were held during the nine months ended 30th September 2005.

AUDIT COMMITTEE *(Continued)*

The Group's unaudited results for the nine months and three months ended 30th September 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 THE DIRECTORS

Although the Company has not adopted any code of conduct regarding the 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's shares during the nine months ended 30th September 2005.

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

Shenzhen, the PRC, 14th November 2005