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

(Incorporated in Bermuda with limited liability)

Stock Code: 8005

First Quarterly Report 2007

*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 THREE-MONTH PERIOD

For the three months ended 31st March 2007, turnover of the Group was approximately HK$23.3 million, a decline in comparison to the corresponding period to 2006 mainly attributable to the disposal of one of its subsidiary.

For the three months ended 31st March 2007, gross profit margin of the Group improved significantly to 30.7%.

Profit for the three months ended 31st March 2007 amounted to approximately HK$9.3 million.

Earning per share for the three months ended 31st March 2007 was HK2.33 cents.

The Board of the Company does not recommend the payment of an interim dividend for the three months ended 31st March 2007.

THREE-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 three months ended 31st March 2007, together with the comparative unaudited figures for the corresponding period in 2006, prepared in accordance with generally accepted accounting principles in Hong Kong, as follows:

		Three months ended 31st March	
		2007	2006
	Notes	***HK$'000***	*HK$'000*
Turnover	*2*	**23,286**	220,419
Cost of sales		**(16,145)**	(195,357)
Gross profit		**7,141**	25,062
Other operating income		**5,525**	4,284
Selling expenses		**(1,147)**	(5,302)
General and administrative expenses		**(13,554)**	(11,859)
Other operating expenses		**(1,858)**	(689)
(Loss)/profit from operations		**(3,893)**	11,496
Finance costs		**(586)**	(1,281)
Gain on disposal of a subsidiary		**13,873**	–
Profit before taxation		**9,394**	10,215
Taxation	*3*	**(61)**	(1,542)
Profit for the period		**9,333**	8,673
Attributable to:			
Equity holders of the parent		**9,333**	7,140
Minority interests		**–**	1,533
		9,333	8,673
Earnings per share attributable to the equity holders of the parent			
– Basic	*4*	**2.33 cents**	1.79 cents
– Diluted		**2.27 cents**	–

Notes:

1. **Basis of preparation**

The unaudited consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong 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 accounting policies and methods of computation adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December 2006. The accounts are unaudited but have been reviewed by the Company's audit committee.

2. **Turnover**

Turnover, which is stated net of value added tax where applicable, is 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 home appliances and complimentary products and electronic components.

3. **Taxation**

The taxation charged to the income statement represents:

	Three months ended 31st March	
	2007	2006
	HK$'000	*HK$'000*
Hong Kong Profits Tax	**–**	665
PRC Enterprise Income Tax	**61**	877
	61	1,542

No Hong Kong profits tax has been provided for the three months ended 31st March 2007 as the Group did not have any assessable profit for the period (three months ended 31st March 2006: 17.5%).

Taxation in other jurisdictions is calculated in 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 PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next consecutive three years, except for a PRC subsidiary, which is exempted from 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.

There has no significant unprovided deferred taxation for the three months ended 31st March 2007 (three months ended 31st March 2006: Nil).

4. **Earnings per share**

The calculation of the basic earnings per share attributable to equity holders of the parent for the three months ended 31st March 2007 is based on the unaudited consolidated profit for the period of approximately HK$9,333,000 (three months ended 31st March 2006: consolidated profit for the period of approximately HK$7,140,000) and on 400,000,000 (three months ended 31st March 2006: 400,000,000) ordinary shares in issue for the period.

The calculation of diluted earning per share is based on the profit attributable to equity holders of the parent of approximately HK$9,333,000 and the weighted average number of shares in issue for the three months ended 31st March 2007 of 411,493,396 after adjusting the number of dilutive potential ordinary shares arising from the outstanding share options granted under the Company's share option scheme.

No diluted earning per share has been presented for the three months ended 31st March 2006 because the exercise price of the Company's share options was higher than the average market price for share for the period.

RESERVES

There were no transfers to or from reserves of the Group during the three months ended 31st March 2007 and 2006.

INTERIM DIVIDENDS

The Board of the Company does not recommend the payment of an interim dividend for the three months ended 31st March 2007 (three months ended 31st March 2006: Nil).

BUSINESS REVIEW

During the period under review, the Group successfully completed the disposal of one of its subsidiaries, which mainly focused on Integrated Circuits business ("IC Subsidiary") for a consideration of HK$30 million resulting a gain of approximately HK$13.9 million. This consideration represented about an average annual return of over 30% over a period of six years which the Group invested in the IC Subsidiary. Because of this disposal of the IC Subsidiary which accounted for a significant portion of the Group's revenue, the Group's consolidated turnover declined by 89.4% to approximately HK$23.3 million. Comparing to turnover of the continuing operations, the consolidated turnover declined by 61.1% from HK$59.8 million in 2006. The reason for the decline in this area was due to reduction in orders from the Group's Information Appliances ("IA") division. Nevertheless, the Group's gross profit margin improved significantly, from only 11.4% in the first quarter of the previous fiscal year to 30.7% for the period under review. Despite the improvement in gross profit margin, the gross profit declined by 71.5% to HK$7.1 million as compared to the same period last year. This was mainly due to the disposal of the IC Subsidiary and declined contribution from IA division. This further resulted in an operating loss after deducting general and administrative expenses which increased by 14.3% mainly due to employee share option costs which were non-cash expenses. Due to the gain on disposal of the IC Subsidiary, the Group registered a profit attributable to equity holders of the Company of approximately HK$9.3 million, an increase of approximately HK$2.2 million from HK$7.1 million in the first quarter of 2006.

This overall weak performance for the three months ended 31st March 2007 was due to two major reasons in addition to the disposal of the IC Subsidiary which had contributed to a significant portion of the Group's revenue. First of all, the progress of customer development of the Group's star division, IA division, was slower than expected. While the existing customers have slowed down in demands, the shipment to the new customers had not picked up despite the fact that there were numerous new customers who had expressed strong interests towards the division's products. Secondly, the OEM/Optical Components ("OEM") division continued to perform less satisfactorily.

In terms of the Group's most valuable investments, the Company's shareholders have unanimously ratified the Group's indirect investment in 51 million shares of Ping An Insurance (Group) Company of China Limited ("Ping An Insurance") during the period under review. The shares which floated on Shanghai Stock Exchange during the period under review enabled the Group to reflect this value, subject to certain discount due to the three-year lock-up period required by the local regulators, on its balance sheet. However, the Company's auditors have made a disclaimer opinion on the Group's audited financial statements for the year 2006 because the Group was not able to obtain Shenzhen Jiangnan Industrial Development Co., Ltd.'s audited financial statements for the year 2006 in time. Despite the apparent irrationality of this opinion, the Group's senior management is actively seeking to rectify the whole situation.

BUSINESS PROSPECT

With the support of its various partners, the Group's star division, the IA division, has already established a strong presence in two of Asia's most developed countries i.e. Hong Kong and Japan. However, as the business of the main customers of the division in these two countries have become saturated, the division is eagerly developing new customers in other parts of the world. As the global demand for IPTV set-top boxes continues to increase, the IA division is very well-positioned to capture new potential business in the IPTV industry. Being one of the top players in this area, the Group believes that there lies plenty of opportunities to further explore this particular industry. The division is currently expanding its marketing team aggressively and the Group is also allocating more resources into the division and considering potential acquisitions. Therefore, despite a short-term glitch which the division encountered during the first quarter of this year, the overall prospect of the division is still very bright.

As the Group's other main division, the OEM division, although so far the division's overall turnover and profitability have not shown significant signs of improvement, the division may be posed for a significant increase in terms of revenue and profits towards the end of the year. The division is currently negotiating and is expecting to conclude a major deal which will enable the division to be the exclusive supplier for a new product which is associated with a major event in China in 2008. Further announcements will be made by the Company pursuant to the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") as and when appropriate.

As at 30th April 2007, the share price of Ping An Insurance listed on Shanghai Stock Exchange was RMB65.85. For the Group's indirect investment of 51 million shares in Ping An Insurance, this translated into a value of about RMB3,358 million. In addition, Ping An Insurance has declared a dividend of RMB0.22 per share for the Group's indirect investment in the 51 million shares of Ping An Insurance, the Group is expected to receive the dividends by late June or early July this year.

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

As at 31st March 2007, 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 for dealing by Directors as referred to in rule 5.46 of 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. Messrs. Zhu Wei Sha and Chen Fu Rong held these shares through Super Dragon Co., Ltd. ("Super Dragon"), a company in which Messrs. Zhu Wei Sha and 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 in the Company on behalf of the past and present employees of the Group, including Messrs. Shi Guang Rong and Wang An Zhong.

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

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

Pursuant to the share option scheme approved by the shareholders of the Company on 18th May 2003. Directors were granted share options to subscribe for shares of the Company, details of which as at 31st March 2007 were as follows:

				Number of share options				
Name of Director	Date of grant	Exercise price per share *HK$*	Exercisable period	At 1st January 2007	Exercised during the period	Granted during the period	Cancelled/ lapsed during the period	At 31st March 2007
Mr. Wang An Zhong	26th December 2006	1.19	26th December 2006 – 17th May 2013	1,000,000	–	–	–	**1,000,000**
Mr. Shi Guang Rong	26th December 2006	1.19	26th December 2006 – 17th May 2013	500,000	–	–	–	**500,000**
Mr. Wu Jia Jun	26th December 2006	1.19	26th December 2006 – 17th May 2013	400,000	–	–	–	**400,000**
Mr. Zhong Peng Rong	26th December 2006	1.19	26th December 2006 – 17th May 2013	400,000	–	–	–	**400,000**
Ms. Shen Yan	26th December 2006	1.19	26th December 2006 – 17th May 2013	400,000	–	–	–	**400,000**

Save as disclosed above, none of the Directors or chief executive of the Company had, as at 31st March 2007, any interests or short positions in the shares, underlying shares and debentures 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 for dealing by Directors as referred to in rule 5.46 to 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 31st March 2007, 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 shareholders	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	112,000,000	Trustee	28.00%

Notes:

1. Super Dragon is beneficially owned by Mr. Zhu Wei Sha, as at 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 in the Company on behalf of the past and present employees of the Group, including Messrs. Shi Guang Rong and 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, underlying shares and debentures" above.

Save as disclosed above, as at 31st March 2007, 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.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed for the three months ended 31st March 2007.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company and their respective associates (as defined in 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 for the three months ended 31st March 2007.

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, namely Mr. Wu Jia Jun, Mr. Zhong Peng Rong and Ms. Shen Yan. Ms. Shen Yan was appointed as the chairman of the Committee. One meeting was held for the three months ended 31st March 2007.

The Group's unaudited results for the three months ended 31st March 2007 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.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's shares during the three months ended 31st March 2007.

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 and all 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 three months ended 31st March 2007.

By Order of the Board
Yuxing InfoTech Holdings Limited
Zhu Wei Sha
Chairman

Beijing, the PRC, 10th May 2007