



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

(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

STOCK CODE: 8005

Third Quarterly Report 2008



*for identification purposes only

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

HIGHLIGHTS FOR THE NINE-MONTH PERIOD

- For the nine months and three months ended 30th September 2008, turnover of the Group was approximately HK\$137.3 million and HK\$43.8 million respectively, representing an increase of 44.2% and 5.2% respectively in comparison to the corresponding periods in 2007.
- For the nine months ended 30th September 2008, gross profit of the Group improved significantly from approximately HK\$29.8 million to HK\$34.1 million as compared to the corresponding periods of last year.
- Profit attributable to shareholders of the Company for the nine months and three months ended 30th September 2008 amounted to approximately HK\$4.8 million and HK\$4.0 million respectively, representing a decline of 87.5% and 80.0% respectively as compared to the corresponding periods of last year.
- Basic earnings per share for the nine months and three months ended 30th September 2008 were HK0.29 cent and HK0.25 cent respectively.
- The Board of the Company does not recommend the payment of an interim dividend for the nine months ended 30th September 2008.

NINE-MONTH RESULTS (UNAUDITED)

The board of directors (the "Board") of Yuxing InfoTech Holdings Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the nine months and three months ended 30th September 2008 together with the comparative unaudited figures for the corresponding periods in 2007 as follows:

	Notes	Nine months ended 30th September		Three months ended 30th September	
		2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Turnover	2	137,313	95,215	43,824	41,643
Cost of sales		(103,256)	(65,380)	(32,099)	(27,423)
Gross profit		34,057	29,835	11,725	14,220
Other revenue and net income		46,702	49,022	15,946	29,631
Distribution and selling expenses		(6,181)	(3,310)	(2,710)	(995)
General and administrative expenses		(56,717)	(46,453)	(18,582)	(21,712)
Other operating expenses		(11,386)	(2,193)	(2,616)	(169)
Profit from operations		6,475	26,901	3,763	20,975
Finance costs		(1,429)	(2,298)	(192)	(713)
Gain on disposal of subsidiaries		–	13,873	–	–
Profit before taxation		5,046	38,476	3,571	20,262
Taxation	3	(288)	(558)	422	(251)
Profit attributable to shareholders		<u>4,758</u>	<u>37,918</u>	<u>3,993</u>	<u>20,011</u>
Earnings per share	4				
– Basic		<u>0.29 cent</u>	2.36 cents	<u>0.25 cent</u>	1.24 cents
– Diluted		<u>N/A</u>	2.23 cents	<u>N/A</u>	1.17 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 2007. 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 the related risks and rewards of ownership have passed.

The Group is principally engaged in the manufacturing, distribution and sales of information home appliances, audio-visual products and complementary products and electronic components to consumer market.

3. TAXATION

The taxation charged to the income statement represents:

	For the nine months ended 30th September		For the three months ended 30th September	
	2008	2007	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The People's Republic of China, other than Hong Kong and Macau (the "PRC") Enterprise Income Tax	288	558	(422)	251

3. TAXATION *(Continued)*

No Hong Kong profits tax has been provided for the nine months and three months ended 30th September 2008 as the Group did not have any assessable profit for the periods (effective tax rate for the nine months and three months ended 30th September 2007: 17.5%).

PRC enterprise income tax has been provided at a range of 15% to 25% for the nine months and three months ended 30th September 2008 (the nine months and three months ended 30th September 2007: 15% to 33%) on the estimated assessable profit of the subsidiaries in the PRC. 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 for the next consecutive three years on the assessable income. For the nine months and three months ended 30th September 2008, a 50% reduction on a tax rate of 18% has been calculated for the assessable income (the nine months and three months ended 30th September 2007: 15%).

On 16th March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6th December 2007, the State Council of the PRC issued Implementation Regulations of the New Law (the "Implementation Regulations"). The New Law and Implementation Regulations will change the tax rate to 25% for certain Group's PRC subsidiaries from 1st January 2012 and 1st January 2013 respectively.

There has been no significant unprovided deferred taxation for the nine months and three months ended 30th September 2008 (the nine months and three months ended 30th September 2007: Nil).

4. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to shareholders of the Company is based on the following data:

	For the nine months ended 30th September		For the three months ended 30th September	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit attributable to shareholders	<u>4,758</u>	<u>37,918</u>	<u>3,993</u>	<u>20,011</u>
	Number of ordinary share			
	'000	'000	'000	'000
Weighted average number of ordinary shares in issue	<u>1,627,501</u>	<u>1,606,269</u>	<u>1,628,569</u>	<u>1,613,688</u>

No diluted earning per share has been presented for the nine months and three months ended 30th September 2008 because the exercise price of the Company's share options was higher than the average market prices for shares for periods.

The calculation of diluted earnings per share for the nine months and three months ended 30th September 2007 are based on the profit attributable to shareholders of the Company of approximately HK\$37,918,000 and HK\$20,011,000 respectively, and the weighted average number of 1,699,127,000 ordinary shares in issue during the period, after adjusting the number of dilutive potential ordinary shares arising from the outstanding share options granted under the Company's share option scheme.

SHARE CAPITAL AND RESERVES

The movement of the share capital and reserves is set out below:

	Share capital HK\$'000	Share premium HK\$'000	Statutory reserves HK\$'000	Contributed surplus HK\$'000	Investment revaluation reserves HK\$'000	Share option reserves HK\$'000	Translation reserves HK\$'000	Retained profits/ (Accumulated loss) HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1st January 2008	40,528	4,246	20,190	234,621	3,585,077	16,998	176,370	118,273	4,196,303	-	4,196,303
Issue of shares under share option scheme (Note (a))	192	2,092	-	-	-	-	-	-	2,284	-	2,284
Equity-settled share based payment	-	-	-	-	-	9,951	-	-	9,951	-	9,951
Available-for-sale financial asset	-	-	-	-	(3,117,045)	-	-	-	(3,117,045)	-	(3,117,045)
Exchange adjustments	-	-	-	-	-	-	282,414	-	282,414	-	282,414
Profit for the period	-	-	-	-	-	-	-	4,758	4,758	-	4,758
At 30th September 2008	40,720	6,338	20,190	234,621	468,032	26,949	458,784	123,031	1,378,665	-	1,378,665
At 1st January 2007	40,000	381,713	20,190	-	1,881,457	139	15,814	(34,490)	2,304,823	15,495	2,320,318
Issue of shares under share option scheme (Note (a))	384	4,187	-	-	-	-	-	-	4,571	-	4,571
Reduction of share premium to offset against accumulated losses and transfer to contributed surplus (Note (b))	-	(385,022)	-	234,621	-	-	-	150,401	-	-	-
Realised on disposal of subsidiaries	-	-	-	-	-	-	-	-	-	(15,495)	(15,495)
Equity-settled share based payment	-	-	-	-	-	14,513	-	-	14,513	-	14,513
Available-for-sale financial asset	-	-	-	-	3,255,306	-	-	-	3,255,306	-	3,255,306
Exchange adjustments	-	-	-	-	-	-	88,888	-	88,888	-	88,888
2006 final dividends paid	-	-	-	-	-	-	-	(20,151)	(20,151)	-	(20,151)
Profit for the period	-	-	-	-	-	-	-	37,918	37,918	-	37,918
At 30th September 2007	40,384	878	20,190	234,621	5,136,763	14,652	104,702	133,678	5,685,868	-	5,685,868

SHARE CAPITAL AND RESERVES *(Continued)*

Notes:

- (a) For the nine months ended 30th September 2008, 7,676,000 shares (the nine months ended 30th September 2007: 15,368,000 shares) were issued at HK\$0.025 per share as a result of the exercise of share options of the Company.
- (b) On 24th September 2007, a special resolution was passed by the shareholders of the Company to approve that all amounts standing to the credit of the share premium account of the Company as at 30th June 2007 (being approximately HK\$385,022,000) be reduced and credits arising therefore be applied to eliminate the accumulated losses of the Company as at 30th June 2007 (such accumulated losses being approximately HK\$150,401,000) and the balance (such balance being approximately HK\$234,621,000) be credited to the contributed surplus account of the Company to be utilised by the directors of the Company in accordance with the bye-laws of the Company and all applicable laws (the "Share Premium Reduction"). The Share Premium Reduction became effective on 24th September 2007.

INTERIM DIVIDENDS

The Board of the Company does not recommend the payment of an interim dividend for the nine months ended 30th September 2008 (nine months ended 30th September 2007: Nil).

FINANCIAL AND BUSINESS REVIEW

During the period under review, the Group's core business, Information Appliances ("IA") division, achieved satisfactory results. The overall turnover of the Group has increased significantly to approximately HK\$137.3 million, representing an increase of 44.2% as compared to the same period of last year. This significant increase in the turnover was contributed by the Group's newly launched product, the DTMB+IP dual-mode HD set-top box, and the expansion of the Group's IA division into the overseas and PRC markets. As a result, the gross profit of the Group in the first three quarters of this fiscal year increased by 14.2% to approximately HK\$34.1 million as compared to the corresponding period of last year.

FINANCIAL AND BUSINESS REVIEW *(Continued)*

In view of the gradual development of the Internet Protocol Television (“IPTV”) set-top box market in the PRC, the Group has fostered concrete relationship with renowned domestic operators and big customers, where shipments have already commenced for some projects in the first half of 2008. The Group has also passed the selection test conducted by China Telecommunications Corporation (“China Telecom”) for IPTV 2.0 compliance and became the first local product supplier of China Telecom for IPTV2.2 products. In addition, the Group’s IPTV products received shipment orders through its cooperation with China Netcom (Group) Company Limited. These products have been formally launched in some parts of the PRC and contributed approximately HK\$19.4 million to the Group’s turnover in the first three quarters of 2008.

On the other hand, the DTMB+IP dual-mode HD set-top box, which was in compliance with the PRC standard and was first developed and launched to the market by the Group in 2007, has been launched in Hong Kong in the first quarter of this year and received positive feedback. This products increased the Group’s turnover in Hong Kong by 8.4% to approximately HK\$79.6 million as compared to the corresponding period of last year. The Group is now working with PCCW HKT Telephone Limited (PCCW) to fully convert to HD set-top box.

For the overseas markets, our partnership with Telefonica in Spain has been progressing well with the commencement of shipments in the second quarter of this year and good customer feedback. This increased the Group’s overseas turnover by 187% to approximately HK\$22.9 million as compared to the same period of last year.

The Group’s indirect investment in 51,000,000 A shares of Ping An Insurance (Group) Company of China Limited (“Ping An Insurance”) has contributed significant gains to the Group for the nine months ended 30th September 2008 with total dividend incomes of approximately HK\$39.9 million (nine months ended 30th September 2007: approximately HK\$21.8 million).

Although the Group had a significant improvement on its overall turnover and the increase in the dividend incomes from its indirect investment in 51,000,000 A shares of Ping An Insurance, the Group only recorded a profit attributable to shareholders of the Company of approximately HK\$4.8 million for the nine months ended 30th September 2008 as compared to a profit attributable to shareholders of the Company of approximately HK\$37.9 million for the same period of last year. This less satisfactory overall performance for the period under review was due to the reasons set out below.

FINANCIAL AND BUSINESS REVIEW *(Continued)*

First of all, there was no gain on the disposal of subsidiaries recorded by the Group for the nine months ended 30th September 2008. The Group recorded a one-time gain of approximately HK\$13.9 million on the disposal of its subsidiaries for the same period of last year, which was the major contribution to the Group's profit for the corresponding period in 2007. Secondly, due to the poor performance of worldwide stock markets during the period under review, the Group recorded realized and unrealized losses on certain financial assets in its other operating expenses totaling approximately HK\$10.7 million for the nine months ended 30th September 2008. This caused the Group's overall other operating expenses increased by 419.2%, while other revenue and net income decreased by 4.7% as compared to the same period of last year respectively. Thirdly, the Group expanded its IA division into the overseas and PRC markets and launched its new products increased its overall turnover in the first three quarters of 2008. At the same time, the Group's overall distribution and selling expenses also increased by 86.7% to approximately HK\$6.2 million as compared to the same period of last year. Finally, the general and administrative expenses increased by 22.1% to approximately HK\$56.7 million when compared to the corresponding period in 2007. This was mainly due to the fee of totalling approximately HK\$8.5 million incurred from certain Group's litigations from Hong Kong and PRC during the period under review.

BUSINESS PROSPECT

The global development of IPTV is progressing dramatically. With the state-of-the-art technology and valuable experience accumulated in IPTV market, plus the remarkable ability in research and development and excellence product quality, the Group became the set-top box supplier for some well-known telecommunication operators and sustained good partnership. As the Group's core products, we strive to expand IPTV products' international market and continuously focus on the PRC market development in the meantime. We will enforce a leading position in the future by allocating more resources on manpower, research and development and sales, etc.

In order to explore into the international market through partnership, the Group has entered into global strategic cooperative agreements with Orca Interactive Ltd ("Orca"), a world leading supplier of middleware and its application, and Viaccess, a wholly-owned subsidiary of France Telecom, a leading supplier of Certificate Authority (CA) and System Intergration (SI) during the period under review. Till now, the cooperation runs smoothly. The Group believed that its cooperation with Orca and Viaccess will bring more customers.

BUSINESS PROSPECT *(Continued)*

In relation to the moratorium on the equity interest in Shenzhen Jiangnan Industrial Development Co., Ltd. (“JI”) held by Golden Yuxing Electronics and Technology Company Limited (“Golden Yuxing”) (a wholly-owned subsidiary of the Group), on 26th May 2008, Golden Yuxing filed a counter claim with the Higher People’s Court of the Guangdong Province (the “Guangdong Higher Court”) against Guangdong Jianlibao Group Company Limited (“JLB Group”) in respect of the validity of the 10.435% equity interest in JI acquired by Golden Yuxing from Shanshui Jianlibao Health Industry Investment Co., Ltd. (“SJHII”) in August 2004 (the “Acquisition”). Under the counter claim, Golden Yuxing, amongst other things, claimed from JLB Group all damages caused by JLB Group and costs and expenses associated with JLB Group’s claim and requested the Guangdong Higher Court to rule that the Acquisition and the registration of the related equity transfers between Golden Yuxing and JI are legally valid.

On 13th June 2008, Golden Yuxing received the notification from the Guangdong Higher Court acknowledging that the counter claim by Golden Yuxing will be heard by a full court (合議庭) of the Guangdong Higher Court.

The Directors of the Company reiterated their belief in the justice of the legal system of the PRC. Thus, the Company is confident that the legal entitlement of its indirect investment in 51,000,000 A shares of Ping An Insurance will be protected by the laws.

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

As at 30th September 2008, 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 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 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)	660,000,000	Interest of a controlled corporation	40.52%
	Personal (Note 2)	300,000	Beneficial owner	0.02%
Mr. Chen Fu Rong	Corporate (Note 1)	660,000,000	Interest of a controlled corporation	40.52%
Mr. Shi Guang Rong	Personal (Note 2)	25,400,000	Beneficial owner	1.56%
Mr. Wang An Zhong	Personal (Note 2)	5,136,756	Beneficial owner	0.32%

Notes:

- 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.
- 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, Wang An Zhong and Zhu Wei Sha.

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 30th September 2008 were as follows:

Name of Director	Date of grant	Exercise price per share HK\$	Exercisable period	Number of share options				
				At 1st January 2008	Exercised during the period	Granted during the period	Cancelled/lapsed during the period	At 30th September 2008
Mr. Wang An Zhong	26th December 2006	0.2975	26th December 2006 – 17th May 2013	4,000,000	(2,400,000)	-	-	1,600,000
Mr. Shi Guang Rong	26th December 2006	0.2975	26th December 2006 – 17th May 2013	1,200,000	(600,000)	-	-	600,000
Mr. Wu Jia Jun	26th December 2006	0.2975	26th December 2006 – 17th May 2013	960,000	-	-	-	960,000
Mr. Zhong Peng Rong	26th December 2006	0.2975	26th December 2006 – 17th May 2013	1,600,000	-	-	-	1,600,000
Ms. Shen Yan	26th December 2006	0.2975	26th December 2006 – 17th May 2013	960,000	-	-	-	960,000
				<u>8,720,000</u>	<u>(3,000,000)</u>	<u>-</u>	<u>-</u>	<u>5,720,000</u>

Save as disclosed above, none of the Directors or chief executive of the Company had, as at 30th September 2008, 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 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 30th September 2008, 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	660,000,000	Beneficial owner	40.52%
Dragon Treasure (Note 2)	Corporate	310,300,000	Trustee	19.05%

Notes:

1. Super Dragon is beneficially owned by Mr. Zhu Wei Sha, as at 63.6%, and Mr. Chen Fu Rong, as at 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, Wang An Zhong and Zhu Wei Sha, 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 30th September 2008, 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 nine months ended 30th September 2008.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had an interest in a business which competed or might compete with the business of the Group or had any other conflict of interest with the Group during the nine months ended 30th September 2008.

AUDIT COMMITTEE

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

The primary duties of the audit committee are to review and supervise the financial reporting process of the Group. It also reviews the effectiveness of both the external audit and internal controls and risk evaluation. The audit committee comprises three independent non-executive Directors, namely Mr. Wu Jia Jun, Mr. Zhong Peng Rong and Ms. Shen Yan (chairman of audit committee).

The Group's unaudited results for the nine months ended 30th September 2008 have been reviewed by the audit committee.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the nine months ended 30th September 2008.

COMPLIANCE ADVISER'S INTEREST

As at 30th September 2008, neither Anglo Chinese Corporate Finance, Limited (the "Compliance Adviser") nor any of their respective directors, employees or associates had any interests in the Company's share capital.

Pursuant to the agreement dated 17th May 2007 entered into between the Company and the Compliance Adviser, the Compliance Adviser will receive a fee for acting as the Compliance Adviser for the period from 22nd May 2007 to 21st May 2009.

SECURITIES TRANSACTIONS BY DIRECTORS

Although the Company has not adopted any code of conduct regarding the Directors' securities transactions, it has made specific enquiry with all Directors and all Directors confirmed that they had complied with all the required standard of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules during the nine months ended 30th September 2008.

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

Hong Kong, 11th November 2008

As at the date of this report, 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.