



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 2010

*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.

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

HIGHLIGHTS FOR THE THREE-MONTH PERIOD

For the three months ended 31st March 2010, turnover of the Group has significantly increased by 243.5% to approximately HK\$78.8 million as compared to the corresponding period last year.

For the three months ended 31st March 2010, gross profit of the Group has increased by 120.2% to approximately HK\$7.9 million as compared to the corresponding period last year.

Loss attributable to equity holders of the Company for the three months ended 31st March 2010 has decreased by 24.5% to approximately HK\$9.3 million as compared to the corresponding period last year.

Basic loss per share for the three months ended 31st March 2010 was HK0.57 cent (three months ended 31st March 2009: HK0.76 cent).

The Board of the Company does not recommend the payment of a dividend for the three months ended 31st March 2010.

THREE-MONTH RESULTS (UNAUDITED)

The board of directors (the “Board”) of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months ended 31st March 2010, together with the comparative unaudited figures for the corresponding period in 2009, prepared in accordance with generally accepted accounting principles in Hong Kong, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Notes	For the three months ended	
		31st March	
		2010	2009
		HK\$'000	HK\$'000
Turnover	2	78,829	22,950
Cost of sales		(70,890)	(19,345)
Gross profit		7,939	3,605
Other revenue and net income		1,892	1,503
Distribution and selling expenses		(2,328)	(2,115)
General and administrative expenses		(15,715)	(14,744)
Other operating expenses		(597)	(444)
Loss from operations		(8,809)	(12,195)
Finance costs		(486)	(117)
Loss before taxation		(9,295)	(12,312)
Taxation	3	–	–
Loss attributable to equity holders of the Company	4	(9,295)	(12,312)
Loss per share	4		
– Basic		(0.57) cent	(0.76) cent
– Diluted		(0.57) cent	(0.76) cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	For the three months ended	
	31st March	
	2010	2009
	HK\$'000	HK\$'000
Loss attributable to equity holders of the Company	(9,295)	(12,312)
Other comprehensive income:		
Change in fair value of available-for-sale financial assets	(75,075)	610,579
Exchange differences arising on translation of PRC subsidiaries	3,382	522
Other comprehensive (loss)/income for the period	(71,693)	611,101
Total comprehensive (loss)/income attributable to equity holders of the Company	(80,988)	598,789

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Attributable to equity holder of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Statutory reserves HK\$'000	Contributed surplus HK\$'000	Other comprehensive income				Total equity HK\$'000
					Share option reserves HK\$'000	Investment revaluation reserves HK\$'000	Translation reserves HK\$'000	Retained profits HK\$'000	
At 1st January 2010	40,757	7,767	20,190	234,621	30,751	1,790,142	434,402	57,578	2,616,208
Issue of shares under share option scheme	3	37	-	-	-	-	-	-	40
Total comprehensive (loss)/income for the period	-	-	-	-	-	(75,075)	3,382	(9,295)	(80,988)
At 31st March 2010	40,760	7,804	20,190	234,621	30,751	1,715,067	437,784	48,283	2,535,260
						Other comprehensive income			
	Share capital HK\$'000	Share premium HK\$'000	Statutory reserves HK\$'000	Contributed surplus HK\$'000	Share option reserves HK\$'000	Investment revaluation reserves HK\$'000	Translation reserves HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
At 1st January 2009	40,720	7,269	20,190	234,621	27,567	515,079	429,772	81,696	1,356,914
Equity-settled share-based payment	-	-	-	-	1,201	-	-	-	1,201
Total comprehensive income/(loss) for the period	-	-	-	-	-	610,579	522	(12,312)	598,789
At 31st March 2009	40,720	7,269	20,190	234,621	28,768	1,125,658	430,294	69,384	1,956,904



Notes:

1. Basis of preparation

The Group's unaudited condensed consolidated financial statements for the three months ended 31st March 2010 have been prepared in accordance with Hong Kong Accounting Standards issued by Hong Kong Institute of Certified Public Accountants and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited and the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The accounts are unaudited but have been reviewed by the Company's audit committee.

These unaudited financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31st December 2009.

The Group has adopted the standards, amendments and interpretations that have been issued and effective for the accounting periods beginning on or after 1st January 2010. The adoption of such standards, amendments and interpretations did not have material effect on these results.

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 manufacture, sales and distribution of information appliances and complementary products to consumer markets.

3. Taxation

No Hong Kong Profits Tax and the PRC Enterprise Income Tax has been provided for the three months ended 31st March 2010 and 2009 as the Group did not have any assessable profit for both periods.

4. Loss per share

The calculation of the basic and diluted loss per share attributable to the equity holders of the Company is based on the following data:

	For the three months ended 31st March	
	2010 HK\$'000	2009 HK\$'000
Consolidated loss attributable to equity holders of the Company	<u>(9,295)</u>	<u>(12,312)</u>
	For the three months ended 31st March	
	2010	2009
	'000	'000
Issued ordinary shares at 1st January	1,630,272	1,628,808
Effect of share options exercised	<u>21</u>	<u>–</u>
Weighted average number of ordinary shares for basic loss per share	1,630,293	1,628,808
Effect of dilutive potential ordinary shares:		
Exercise of share options	<u>N/A</u>	<u>N/A</u>
Weighted average number of ordinary shares for diluted loss per share	<u>1,630,293</u>	<u>1,628,808</u>
Loss per share:		
– Basic	<u>(0.57) cent</u>	(0.76) cent
– Diluted (<i>Note</i>)	<u>(0.57) cent</u>	<u>(0.76) cent</u>

Note: Diluted loss per share is the same as the basic loss per share because the effect of potential ordinary shares is anti-dilutive.



RESERVES

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

DIVIDENDS

The Board of the Company does not recommend the payment of a dividend for the three months ended 31st March 2010 (the “Period”) (for the three months ended 31st March 2009: Nil).

FINANCIAL AND BUSINESS REVIEW

During the period under review, the total turnover of the Group increased significantly by 243.5% to approximately HK\$78.8 million for the Period as compared to the same period of last year. This increase in turnover was partly due to the gradual recovery of the global economy, and another key reason behind the increase was the fruitful results of the Group’s exploration and expansion of the PRC market.

For the PRC market, through maintaining stable cooperation relationships with the largest telecom equipment and system suppliers in the PRC, the Group has managed to forward continuous shipments of its products to customers in Guangdong Province, Hubei Province, Sichuan Province, Shanxi Province, Liaoning Province, Chongqing and Shanghai, etc in the PRC. In addition, the “Standard-definition Digital Cable Set-top Box” developed and marketed by the Group in 2009 also successfully entered into the cable set-top box market in the PRC during the period under review. This product has been put into service in the Shaoxing market and received satisfactory feedback. As a result, the Group’s turnover derived from the PRC market for the Period increased remarkably by 429.6% to approximately HK\$57.2 million as compared to the same period of last year.

FINANCIAL AND BUSINESS REVIEW *(Continued)*

For the international markets, the Group has kept good relationships with European telecom operators while maintaining on-going cooperation with Orca Interactive Ltd. and Viaccess. Accordingly satisfactory result was achieved in developing regional markets through such cooperation. During the period under review, the Group established cooperative partnership with various well-known international telecom operators and system integration suppliers in a number of countries. Furthermore, during the period under review, the Group began the trial launch of its products in Australia while being formally put into commercial application in Belgium. Continuous shipments were also made to a Spanish customer. The above factors boosted the turnover of the Group derived from international market to approximately HK\$11.6 million, representing an increase of 27.0% from the same period of last year.

For the Hong Kong market, the Group has completed the product upgrading and function integration to meet the requirements of a Hong Kong customer during the period under review. Such technical improvement together with our efforts in marketing drove the turnover of the Group derived from Hong Kong market to approximately HK\$10.0 million, representing a significant increase of 235.9% from the same period of last year.

As a result of the foregoing, the Group's overall turnover and gross profit for the Period increased significantly by 243.5% and 120.2% respectively to approximately HK\$78.8 million and HK\$7.9 million as compared to the same period of last year. However, given that the products sold in the PRC market generated a relatively lower gross profit margin, the overall gross profit margin of the Group for the Period has decreased to 10.1% when compared to the Group's gross profit margin of 15.7% in the same period of last year.

With the significant increase of the Group's turnover, the Group's selling expenses has increased by 10.1% to approximately HK\$2.3 million as compared to the same period of last year. This, together with the lower gross profit margin of the Group, led to the Group recording a loss attributable to equity holders of the Company of approximately HK\$9.3 million for the Period as compared to a loss attributable to equity holders of the Company of approximately HK\$12.3 million recorded by the Group in the same period of last year.

FINANCIAL AND BUSINESS REVIEW *(Continued)*

In relation to the litigation between Guangdong Jianlibao Group Company Limited, Sanshui Jianlibao Health Industry Investment Co., Ltd. and Beijing Golden Yuxing Electronics and Technology Company Limited (“Golden Yuxing”) in respect of the 36.66% equity interest in Shenzhen Jiangnan Industrial Development Co., Ltd (“JI”), the Group has not received any judgment from the Higher People’s Court of the Guangdong Province in the PRC as at the date of this report.

Besides, according to our announcement dated 22nd October 2009, Intermediate People’s Court of Fo Shan had issued a Notice of Enforcement to JI on 4th September 2009, ordering JI to assist in freezing Golden Yuxing’s 36.66% equity interest in JI and its dividend entitlements held by Golden Yuxing and suspending the payment of dividends attributable to Golden Yuxing in respect of its equity interest in JI, for a period from 7th September 2009 to 6th September 2011. According to the legal opinion dated 19th March 2010 from the Group’s PRC lawyers, Golden Yuxing was entitled to receive the dividend from JI but the suspension of the dividend payment is still in force.

BUSINESS PROSPECTS

Looking forward, taking advantage of the favourable policies regarding the amalgamation of three telecom nets initiated in the PRC, various telecom operators will expand their pilot regions for commercial operation and actively promote the application of Internet Protocol Television (“IPTV”) technology across the PRC, thereby creating more development opportunities for the Group.

As the global economy gradually recovers, the growth of IPTV set-top box industry around the world is expected to accelerate remarkably. With our strong product research and development strength, extensive experience in product development and leading position in global markets, the Group’s information home appliances business has become a trustworthy partner selected by various telecom operators and holds a leading position in the international market.

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

As at 31st March 2010, 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 Exchange were as follows:

(1) Long positions in the shares of the Company

Name of Director	Nature of interests	Number of		Percentage to the issued share capital of the Company
		ordinary shares	Capacity	
Mr. Zhu Wei Sha	Corporate (Note 1)	660,000,000	Interest of a controlled corporation	40.48%
	Personal (Note 2)	300,000	Beneficial owner	0.02%
Mr. Chen Fu Rong	Corporate (Note 1)	660,000,000	Interest of a controlled corporation	40.48%
	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. Both Mr. Zhu Wei Sha and Mr. Chen Fu Rong are directors of Super Dragon.
- Dragon Treasure Ltd. (“Dragon Treasure”) is a nominee company and acts as a trustee for holding the 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, the Directors in the capacity as beneficial owners were granted unlisted and physically settled share options to subscribe for shares of the Company, details of which as at 31st March 2010 were as follows:

Name of Director	Date of grant	Exercise price per share HK\$	Exercisable period	Number of share options				At 31st March 2010
				At 1st January 2010	Exercised during the period	Granted during the period	Cancelled/lapsed during the period	
Mr. Wang An Zhong	26th December 2006	0.2975	26th December 2006 - 17th May 2013	1,600,000	-	-	-	1,600,000
Mr. Shi Guang Rong	26th December 2006	0.2975	26th December 2006 - 17th May 2013	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

Save as disclosed above, none of the Directors or chief executive of the Company had, as at 31st March 2010, 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 31st March 2010, the following is a list of 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 (<i>Note 1</i>)	Corporate	660,000,000	Beneficial owner	40.48%
Dragon Treasure (<i>Note 2</i>)	Corporate	310,000,000	Trustee	19.01%

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. Both Mr. Zhu Wei Sha and Mr. Chen Fu Rong are directors of Super Dragon.
2. Dragon Treasure is a nominee company and acts as a trustee for holding the 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 31st March 2010, the Company had 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.

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 competes or may compete with the business of the Group or has any other conflict of interest with the Group during the three months ended 31st March 2010.

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 of 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 consolidated results for the three months ended 31st March 2010 have been reviewed by the audit committee.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the three months ended 31st March 2010.

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 with 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 2010.

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

Hong Kong, 11th May 2010

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