



Yuxing InfoTech Holdings Limited

裕興科技控股有限公司*

(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

STOCK CODE: 8005



Interim 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 interim 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 GEM of the Exchange (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 the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this report misleading.



HIGHLIGHTS

- For the six months and three months ended 30th June 2010, turnover of the Group was approximately HK\$155.8 million and HK\$77.0 million respectively, representing a significant improvement of 219.6% and 198.3% respectively in comparison to the corresponding periods in 2009.
- For the six months and three months ended 30th June 2010, gross profit of the Group increased significantly by 171.6% and 206.9% respectively to approximately HK\$24.1 million and HK\$16.1 million as compared to the corresponding periods of last year.
- Loss attributable to equity holders of the Company for the six months and three months ended 30th June 2010 amounted to approximately HK\$10.1 million and HK\$0.8 million respectively, representing a decline of 53.5% and 91.4% respectively as compared to the corresponding periods of last year.
- Basic loss per share for the six months and three months ended 30th June 2010 was HK0.62 cent and HK0.05 cent respectively.
- Total equity attributable to equity holders of the Company as at 30th June 2010 was approximately HK\$2,543.2 million or net assets per share of HK\$1.56.
- The Board of the Company does not recommend the payment of any interim dividend for the six months ended 30th June 2010.

INTERIM RESULTS (UNAUDITED)

The board of directors (the "Board") of the Company is pleased to announce 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 2010 together with the comparative unaudited figures for the corresponding periods in 2009, 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 2010

	Notes	For the six months ended 30th June		For the three months ended 30th June	
		2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Turnover	2	155,790	48,749	76,961	25,799
Cost of sales		(131,732)	(39,891)	(60,842)	(20,546)
Gross profit		24,058	8,858	16,119	5,253
Other revenue and net income		3,984	4,142	2,092	2,639
Distribution and selling expenses		(5,119)	(3,991)	(2,791)	(1,876)
General and administrative expenses		(28,884)	(30,390)	(13,169)	(15,646)
Other operating expenses		(2,053)	(828)	(1,456)	(384)
Fair value (loss)/gain on investment properties		(1,160)	700	(1,160)	700
Loss from operations		(9,174)	(21,509)	(365)	(9,314)
Finance costs		(929)	(240)	(443)	(123)
Loss before taxation	3	(10,103)	(21,749)	(808)	(9,437)
Taxation	4	-	-	-	-
Loss attributable to equity holders of the Company		(10,103)	(21,749)	(808)	(9,437)
Loss per share	5				
– Basic		(0.62) cent	(1.34) cents	(0.05) cent	(0.58) cent
– Diluted		(0.62) cent	(1.34) cents	(0.05) cent	(0.58) cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months and three months ended 30th June 2010

	For the six months ended 30th June		For the three months ended 30th June	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Loss attributable to equity holders of the Company	(10,103)	(21,749)	(808)	(9,437)
Other comprehensive (loss)/income:				
Change in fair value of available-for-sale financial assets	(86,793)	1,187,624	(11,718)	577,045
Exchange differences arising on translation of PRC subsidiaries	23,883	2,144	20,501	1,622
Other comprehensive (loss)/income for the period	(62,910)	1,189,768	8,783	578,667
Total comprehensive (loss)/income attributable to equity holders of the Company	(73,013)	1,168,019	7,975	569,230

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2010

		(Unaudited) 30th June 2010 <i>HK\$'000</i>	(Audited) 31st December 2009 <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Investment properties		27,310	28,470
Property, plant and equipment	6	95,159	97,254
Prepaid lease payments		13,091	13,146
Available-for-sale financial assets	7	2,340,800	2,405,260
Dividend receivable		<u>8,769</u>	<u>8,688</u>
		2,485,129	2,552,818
CURRENT ASSETS			
Inventories		50,328	34,973
Trade and other receivables	8	92,884	70,533
Prepaid lease payments		355	351
Financial assets at fair value through profit or loss		8,449	6,378
Pledged bank deposits		5,797	13,205
Cash and bank balances		<u>41,174</u>	<u>53,274</u>
		198,987	178,714
Investment in an unconsolidated subsidiary held for sale		<u>-</u>	<u>8,177</u>
		198,987	186,891
CURRENT LIABILITIES			
Trade and other payables	9	84,461	66,895
Bank loans		<u>42,717</u>	<u>34,170</u>
		127,178	101,065
Liabilities directly associated with investment in an unconsolidated subsidiary held for sale		<u>-</u>	<u>8,177</u>
		127,178	109,242
NET CURRENT ASSETS		<u>71,809</u>	<u>77,649</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,556,938	2,630,467

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

As at 30th June 2010

	(Unaudited)	(Audited)
	30th June	31st December
	2010	2009
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Bank loans	<u>13,703</u>	<u>14,259</u>
	<u>13,703</u>	<u>14,259</u>
NET ASSETS	<u>2,543,235</u>	<u>2,616,208</u>
CAPITAL AND RESERVES		
Share capital	11 40,760	40,757
Reserves	<u>2,502,475</u>	<u>2,575,451</u>
TOTAL EQUITY	<u>2,543,235</u>	<u>2,616,208</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30th June 2010

	Attributable to equity holder of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Statutory reserves HK\$'000	Contributed surplus HK\$'000	Share option reserves HK\$'000	Other comprehensive income			Total equity 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 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
Total comprehensive income for the period	-	-	-	-	-	(11,718)	20,501	(808)	7,975
At 30th June 2010	<u>40,760</u>	<u>7,804</u>	<u>20,190</u>	<u>234,621</u>	<u>30,751</u>	<u>1,703,349</u>	<u>458,285</u>	<u>47,475</u>	<u>2,543,235</u>

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

For the six months ended 30th June 2010

	Attributable to equity holder of the Company								
	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	Other comprehensive income 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 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
Issue of shares under share option scheme	5	48	-	-	-	-	-	-	53
Equity-settled share-based payment	-	-	-	-	1,214	-	-	-	1,214
Total comprehensive income for the period	-	-	-	-	-	577,045	1,622	(9,437)	569,230
At 30th June 2009	40,725	7,317	20,190	234,621	29,982	1,702,703	431,916	59,947	2,527,401
Issue of shares under share option scheme	32	450	-	-	(99)	-	-	-	383
Equity-settled share-based payment	-	-	-	-	868	-	-	-	868
Total comprehensive income for the period	-	-	-	-	-	87,439	2,486	(2,369)	87,556
At 31st December 2009	40,757	7,767	20,190	234,621	30,751	1,790,142	434,402	57,578	2,616,208

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30th June 2010

	For the six months ended	
	2010	2009
	HK\$'000	HK\$'000
Net cash used in operating activities	(22,870)	(35,837)
Net cash (used in)/generated from investing activities	(3,831)	734
Net cash generated from financing activities	6,796	20,946
Net decrease in cash and cash equivalents	(19,905)	(14,157)
Cash and cash equivalents as at 1st January	66,479	59,478
Effect of foreign exchange rate changes	397	17
Cash and cash equivalents as at 30th June	46,971	45,338
Analysis of balances of cash and cash equivalents:		
Pledged bank deposits	5,797	–
Cash and bank balances	41,174	45,338
	46,971	45,338

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of preparation

The unaudited condensed consolidated interim financial statements for the six months ended 30th June 2010 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with applicable disclosure provisions of the Rules Governing The Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. The accounts are unaudited but have been reviewed by the Company’s audit committee.

These condensed interim 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. They have been prepared on the historical cost basis, except for investment properties, available-for-sale financial assets and financial assets at fair value through profit or loss, which are measured at fair value.

The accounting policies and methods of computation applied in preparation of these condensed interim financial statements are consistent with those applied in preparing the Group’s financial statements for the year ended 31st December 2009. The adoption of the new/revised Hong Kong Financial Reporting Standards (“HKFRS”), which collective term includes all applicable individual HKFRS, HKAS and Interpretations issued by the HKICPA that are relevant to the Group and effective from the current period, did not have any significant effect on the financial position or performance of the Group.

The Group has not early adopted any new and revised HKFRS that have been issued but are not yet effective for the current period. The Group has already commenced an assessment of the impact of these new and revised HKFRS but is not yet in a position to reasonably estimate whether these new and revised HKFRS would have a significant impact on the Group’s results of operations and financial position.

2 Turnover and segment information

For management purposes, the current major operating segments of the Group are information home appliances, investing and trading.

The information home appliances segment is principally engaged in manufacture, sales and distribution of information appliances and complementary products to consumer markets.

The investing segment is principally engaged in investment in available-for-sale financial assets and trading of securities.

The trading segment is principally engaged in selling electronic components, miscellaneous products and provision of process services to business partners.

Other operations of the Group mainly comprise the leasing out of properties.

2 Turnover and segment information (Continued)

Business segments

The following tables present turnover, revenue and other income, segment results and segment assets regarding the Group's business segments for the six months ended 30th June 2010 and 2009, respectively:

	For the six months ended 30th June 2010					Consolidated HK\$'000
	Information home appliances HK\$'000	Investing HK\$'000	Trading HK\$'000	Other operations HK\$'000	Elimination HK\$'000	
TURNOVER						
External sales	153,931	-	1,859	-	-	155,790
Inter-segment sales	-	-	-	-	-	-
REVENUE AND OTHER INCOME						
	-	43	-	1,029	-	1,072
Total	<u>153,931</u>	<u>43</u>	<u>1,859</u>	<u>1,029</u>	<u>-</u>	<u>156,862</u>
RESULTS						
Segment results	<u>4,194</u>	<u>(1,241)</u>	<u>513</u>	<u>981</u>	<u>-</u>	4,447
Unallocated corporate income						113
Interest income						169
Fair value loss on investment properties						(1,160)
Other unallocated corporate expenses						<u>(12,743)</u>
Loss from operations						(9,174)
Finance costs						<u>(929)</u>
Loss before taxation						(10,103)
Taxation						<u>-</u>
Loss for the period						<u>(10,103)</u>

2 Turnover and segment information (Continued)

Business segments (Continued)

	For the six months ended 30th June 2009					Consolidated HK\$'000
	Information home appliances HK\$'000	Investing HK\$'000	Trading HK\$'000	Other operations HK\$'000	Elimination HK\$'000	
TURNOVER						
External sales	48,534	–	215	–	–	48,749
Inter-segment sales	–	–	539	–	(539)	–
REVENUE AND OTHER INCOME						
	–	1,700	–	763	–	2,463
Total	<u>48,534</u>	<u>1,700</u>	<u>754</u>	<u>763</u>	<u>(539)</u>	<u>51,212</u>
RESULTS						
Segment results	<u>(8,686)</u>	<u>1,390</u>	<u>(720)</u>	<u>763</u>	<u>–</u>	(7,253)
Unallocated corporate income						285
Interest income						267
Fair value gain on investment properties						700
Other unallocated corporate expenses						<u>(15,508)</u>
Loss from operations						(21,509)
Finance costs						<u>(240)</u>
Loss before taxation						(21,749)
Taxation						<u>–</u>
Loss for the period						<u>(21,749)</u>

2 Turnover and segment information (Continued)

Segment assets

The following table presents segment assets of the Group's business segments as at 30th June 2010 and 31st December 2009:

	Information home appliances HK\$'000	Investing HK\$'000	Trading HK\$'000	Other operations HK\$'000	Unallocated assets HK\$'000	Consolidated HK\$'000
Segment assets						
At 30th June 2010	<u>261,256</u>	<u>2,365,397</u>	<u>3,324</u>	<u>31,446</u>	<u>22,693</u>	<u>2,684,116</u>
At 31st December 2009	<u>222,354</u>	<u>2,426,568</u>	<u>2,671</u>	<u>43,352</u>	<u>44,764</u>	<u>2,739,709</u>

Geographical information

The Group operates in two principal geographical areas: the People's Republic of China (other than Hong Kong and Macau) (the "PRC") (country of domicile) and Hong Kong.

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the services were provided or the goods were delivered.

	Revenue from external customers	
	For the six months ended 30th June	
	2010	2009
	HK\$'000	HK\$'000
The PRC	105,249	26,011
Hong Kong	25,317	8,988
Other countries	25,224	13,750
	<u>155,790</u>	<u>48,749</u>

In addition to information disclosed above, the Group generated revenue and other income from investing segment of HK\$Nil (six months ended 30th June 2009: approximately HK\$396,000) and approximately HK\$43,000 (six months ended 30th June 2009: approximately HK\$1,304,000) in the PRC and HK respectively, and the Group generated revenue and other income from other operations segment of approximately HK\$429,000 (six months ended 30th June 2009: approximately HK\$97,000) and approximately HK\$600,000 (six months ended 30th June 2009: approximately HK\$666,000) in the PRC and Hong Kong respectively.

2 Turnover and segment information (Continued)

Comparative figures

Certain figures of segment information have been reclassified to conform with the current period's presentation.

3 Loss before taxation

Loss 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	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Crediting:				
Net gains on disposal of financial assets at fair value through profit or loss	–	1,686	–	1,376
Reversal of write-down of inventories	–	–	301	446
Charging:				
Net losses on disposal of financial assets at fair value through profit or loss	138	–	298	–
Net unrealised holding losses on financial assets at fair value through profit or loss	1,147	310	774	268
Impairment on inventories	673	2,005	–	–
Amortisation of prepaid lease payments	176	175	88	87
Depreciation of property, plant and equipment	3,623	3,940	1,809	1,968
Total depreciation and amortisation	3,799	4,115	1,897	2,055

4 Taxation

No Hong Kong Profits Tax and the PRC Enterprise Income Tax have been provided for the six months and three months ended 30th June 2010 and 2009 as the Group did not have any assessable profit for these periods.

5 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 six months ended 30th June		For the three months ended 30th June	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Consolidated loss attributable to equity holders of the Company	<u>(10,103)</u>	<u>(21,749)</u>	<u>(808)</u>	<u>(9,437)</u>
	For the six months ended 30th June		For the three months ended 30th June	
	2010 '000	2009 '000	2010 '000	2009 '000
Issued ordinary shares at 1st January	<u>1,630,272</u>	1,628,808	–	–
Issued ordinary shares at 1st April	–	–	<u>1,630,408</u>	1,628,808
Effect of share options exercised	<u>79</u>	<u>15</u>	<u>–</u>	<u>29</u>
Weighted average number of ordinary shares for basic loss per share	<u>1,630,351</u>	<u>1,628,823</u>	<u>1,630,408</u>	<u>1,628,837</u>
Effect of dilutive potential ordinary shares:				
Exercise of share options	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Weighted average number of ordinary shares for diluted loss per share	<u>1,630,351</u>	<u>1,628,823</u>	<u>1,630,408</u>	<u>1,628,837</u>
Loss per share:				
– Basic	<u>(0.62) cent</u>	<u>(1.34) cents</u>	<u>(0.05) cent</u>	<u>(0.58) cent</u>
– Diluted*	<u>(0.62) cent</u>	<u>(1.34) cents</u>	<u>(0.05) cent</u>	<u>(0.58) cent</u>

* Diluted loss per share for the six months and three months ended 30th June 2010 and 2009 is the same as the basic loss per share because the effect of potential ordinary shares is anti-dilutive.

6 Property, plant and equipment

During the period, the Group expended approximately HK\$764,000 (six months ended 30th June 2009: approximately HK\$384,000) on the acquisition of equipment for the expansion of the Group's operations.

7 Available-for-sale financial assets

	30th June 2010 HK\$'000	31st December 2009 HK\$'000
Unlisted equity securities		
– Equity interest in JI (<i>Note</i>)	<u>2,340,800</u>	<u>2,405,260</u>

Note:

Pursuant to an agreement dated 10th August 2004, the Group through its wholly-owned subsidiary Beijing Golden Yuxing Electronics and Technology Company Limited ("Golden Yuxing") acquired a 10.435% equity interest in Shenzhen Jiangnan Industrial Development Co., Ltd ("JI"), a company which holds, among others, Ping An Insurance (Group) Company of China Limited ("Ping An Shares") which was listed on the Shanghai Stock Exchange in the PRC on 1st March 2007, for a consideration of RMB217,000,000 (equivalent to approximately HK\$204,274,000) (the "Acquisition") from Sanshui Jianlibao Health Industry Investment Co., Ltd ("SJHII"), a company in which Mr. Zhu Wei Sha, a Director of the Company, had an effective 8.1% equity interest. Mr. Zhu Wei Sha ceased to have any equity interests in SJHII after November 2004. The said consideration was determined with reference to the value of 51,000,000 Ping An Shares held directly by JI, a company whose principal assets were 479,117,788 Ping An Shares (subsequently reduced to 139,112,886 Ping An Shares as at 31st December 2007).

The purpose of the Acquisition was to enable the Group to acquire a 10.435% economic benefits associated with the 51,000,000 Ping An Shares through a share management agreement entered into amongst Golden Yuxing, JI and other shareholders of JI at the time, specifically to enable the Group to receive its share dividend attributable to the 51,000,000 Ping An Shares and to use shares as security to support its borrowings.

In 2006, Golden Yuxing further acquired 15.175% and 11.05% equity interest in JI for considerations of RMBNil and RMB1 respectively pursuant to a share capital reorganisation of JI and had since held a total of 36.66% equity interest in JI, representing an equivalent interest in 51,000,000 Ping An Shares. In the opinion of the Directors, Golden Yuxing has no significant influence over JI as the other 63.34% equity interest is controlled by another shareholder, who also manages all significant and day-to-day operations of JI.

7 Available-for-sale financial assets (Continued)

Note: (Continued)

On 24th October 2007, a moratorium on the 36.66% equity interest in JI, and hence on its undertaking and all assets including the 51,000,000 Ping An Shares, currently held by Golden Yuxing was imposed by the People's Court of Beijing in relation to the repayment arrangement between Golden Yuxing and Sheng Bang Qiang Dian Electronics (Shenzhen) Co., Ltd., both of which are wholly-owned subsidiaries of the Group. The moratorium will expire on 22nd October 2010.

The Intermediate People's Court of Fo Shan, Guangdong Province imposed two standby moratoriums on 24th October 2007 and 30th October 2007 respectively on the 4.6958% and 11.8371% equity interest in JI held by Golden Yuxing. However, the Directors were not aware of the background and reasons for these two standby moratoriums, as further detailed in the Company's announcement on 6th November 2007.

Following the expiration of the above mentioned share management agreement, Golden Yuxing entered into a bilateral agreement (the "Agreement") with another shareholder of JI who holds 63.34% equity interest in JI on 15th September 2009, under which both parties agreed on rights to the interests in Ping An Shares attributed to each of Golden Yuxing and the other shareholder of JI, including rights to profit sharing, share placement rights, the rights to pledge shares and use them for guarantee, voting rights and methods for equity transfers in future, etc. According to the Agreement, Golden Yuxing holds the equity interest in 51,000,000 Ping An Shares through JI, while Golden Yuxing has no significant influence over JI's financial and operating policy decisions.

As at 30th June 2010, the equity interest in JI held by the Group was revalued by Vigers Appraisal & Consulting Limited, an independent qualified professional valuer not connected with the Group, to approximately RMB2,042,114,000 (equivalent to approximately HK\$2,340,800,000) (31st December 2009: approximately RMB2,117,831,000 (equivalent to approximately HK\$2,405,260,000)). The valuation was arrived at by reference to the PRC unaudited financial statements of JI as at 30th June 2010 and adjusted by the market value of 51,000,000 Ping An Shares as at 30th June 2010. In determining the market value of Ping An Shares, the impact of the freezing orders on the Group's interest in the 51,000,000 Ping An Shares as detailed in sub-section headed "Contingent Liabilities" under Management Discussion and Analysis section has been taken into consideration. The Group recorded a revaluation deficit on the interests in JI of approximately RMB75,718,000 (equivalent to approximately HK\$86,793,000) as at 30th June 2010 (31st December 2009: a revaluation surplus of approximately RMB1,122,693,000 (equivalent to approximately HK\$1,275,063,000)).

8 Trade and other receivables

The Group grants its trade customers with an average credit period of 30 to 120 days. Included in trade and other receivables are trade and bills receivables (net of impairment) with the following ageing analysis by delivery date:

	30th June 2010 HK\$'000	31st December 2009 HK\$'000
0 – 30 days	40,600	12,794
31 – 60 days	18,089	13,996
61 – 90 days	2,053	989
Over 90 days	3,343	3,528
	64,085	31,307

9 Trade and other payables

Included in trade and other payables are trade creditors with the following ageing analysis:

	30th June 2010 HK\$'000	31st December 2009 HK\$'000
0 – 30 days	19,063	18,341
31 – 60 days	9,005	9,592
61 – 90 days	14,768	3,386
Over 90 days	17,309	11,077
	60,145	42,396

10 Pledge of assets

At 30th June 2010, the Group had pledged the following assets to secure the banking facilities:

- (a) Investment properties of the Group with carrying value of HK\$27,310,000 (31st December 2009: HK\$28,470,000);
- (b) Prepaid lease payments and buildings of the Group with carrying values of approximately HK\$13,446,000 (31st December 2009: approximately HK\$7,817,000) and approximately HK\$69,108,000 (31st December 2009: approximately HK\$50,901,000);
- (c) Trade receivables from third parties of the Group with carrying value of HK\$Nil (31st December 2009: approximately HK\$7,208,000);
- (d) A leasehold property of the Group with carrying value of approximately HK\$2,881,000 (31st December 2009: approximately HK\$2,931,000); and
- (e) Bank deposit of the Group with carrying value of approximately HK\$5,797,000 (31st December 2009: approximately HK\$13,205,000).

11 Share capital

	Number of shares		Share capital	
	30th June 2010	31st December 2009	30th June 2010	31st December 2009
	'000	'000	HK\$'000	HK\$'000
Authorised:				
At beginning and end of period/year				
Ordinary shares of HK\$0.025 each	<u>8,000,000</u>	<u>8,000,000</u>	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:				
At beginning of period/year				
Ordinary shares of HK\$0.025 each	<u>1,630,272</u>	1,628,808	<u>40,757</u>	40,720
Exercise of share options	<u>136</u>	<u>1,464</u>	<u>3</u>	<u>37</u>
At end of period/year				
Ordinary shares of HK\$0.025 each	<u>1,630,408</u>	<u>1,630,272</u>	<u>40,760</u>	<u>40,757</u>



RESERVES

Movements in the reserves of the Group for the six months ended 30th June 2010 (the “Period”) are set out in the unaudited condensed consolidated statement of changes in equity of the financial statements.

INTERIM DIVIDENDS

The Board does not recommend the payment of any interim dividend for the Period (six months ended 30th June 2009: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover and Gross Profit

During the period under review, the total turnover of the Group increased significantly by 219.6% to approximately HK\$155.8 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 for the increase was the fruitful results of the Group’s exploration and expansion of the PRC market. As a result, the Group’s turnover under Information Home Appliances (the “IHA”) segment derived from the PRC market for the Period increased remarkably by 300.1% to approximately HK\$103.4 million as compared to the same period of last year. Meanwhile, the gross profit of the Group in the first half of 2010 increased by 171.6% to approximately HK\$24.1 million as compared to the corresponding period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Operating Results

Other Revenue and Net Income

Other revenue and net income decreased slightly by 3.8% to approximately HK\$4.0 million for the Period (six months ended 30th June 2009: approximately HK\$4.1 million).

Operating Expenses

With the gradual recovery of the global economy, the Group actively expanded its products into the European and PRC markets which led to increase in its overall turnover in the first half of 2010. As a result, the Group's overall selling expenses increased by 28.3% to approximately HK\$5.1 million as compared to the same period of last year. At the same time, general and administrative expenses slightly decreased by 5.0% to approximately HK\$28.9 million as compared with the corresponding period in 2009.

Other Operating Expenses

Other operating expenses increased to approximately HK\$2.1 million for the Period (six months ended 30th June 2009: approximately HK\$0.8 million). The main reason was that the Group recorded realized and unrealized losses on certain financial assets totaling approximately HK\$1.3 million for the Period (six months ended 30th June 2009: approximately HK\$0.3 million).

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

FINANCIAL REVIEW (Continued)

Operating Results (Continued)

Finance Costs

Finance costs of the Group increased to approximately HK\$0.9 million for the Period (six months ended 30th June 2009: approximately HK\$0.2 million). Such increase in finance costs was due to an increase in short-term borrowings from banks to expand and develop business of the Group during the period under review.

Loss for the Period

Loss attributable to equity holders of the Company of approximately HK\$10.1 million and HK\$0.8 million was recorded respectively for the Period and the three months ended 30th June 2010, which represented a significant improvement over a net loss of approximately HK\$21.7 million and HK\$9.4 million for the corresponding six months and three months periods of last year.

Liquidity, Charge on Group Assets and Financial Resources

As at 30th June 2010, the Group had net current assets of approximately HK\$71.8 million. The Group had cash and bank balances and pledged bank deposits of approximately HK\$41.2 million and HK\$5.8 million respectively. The Group's financial resources were funded mainly by its shareholders' funds and short-term bank loans and long-term mortgage loans totalling approximately HK\$56.4 million. As at 30th June 2010, the Group's current ratio, as calculated by dividing current assets by current liabilities, was 1.6 times and the gearing ratio, as measured by total liabilities divided by total equity, was 5.5%. Hence, as at 30th June 2010, the overall financial and liquidity positions of the Group remained at a stable and healthy level.



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Capital Structure

The shares of the Company were listed on GEM on 31st January 2000. The changes in the capital structure of the Company are set out in note 11 to the condensed consolidated financial statements.

Significant Investments/Material Acquisitions and Disposals

During the period under review, the Group completed the disposal of an unconsolidated subsidiary namely 北京聚聯富電子技術有限公司. For details, please refer to note 27 in the consolidated financial statements of the Group for the year ended 31st December 2009.

Apart from the above disposal, the Group had no significant investment and no material acquisition or disposal.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Segment Information

The Group's star business segment is the IHA. The total turnover of the IHA segment for the Period increased significantly by 217.2% to approximately HK\$153.9 million as compared to the same period of last year. This increase in turnover was mainly attributable to further expansion of the Internet Protocol Television ("IPTV") business in the PRC market in the first half of 2010. Consequently, the turnover of the IHA segment in the PRC market increased significantly by 300.1% to approximately HK\$103.4 million for the Period as compared to the same period of last year. In addition, the Group has been actively strengthening its connections with leading telecom operators in many parts of the world by getting involved in various tests and evaluations organized by them and establishing partnerships with them. As a result, turnover of the IHA segment in overseas markets for the Period recorded at approximately HK\$25.2 million, representing a significant increase of 83.4% as compared with the same period of last year. Due to the improvement in marketing and selling activities of a major customer under the IHA segment in Hong Kong market, the turnover of the IHA segment in the Hong Kong market also increased significantly by 181.7% from the same period of last year to approximately HK\$25.3 million for the Period. Meanwhile, the gross profit of the IHA segment for the Period increased by 145.8% to approximately HK\$23.5 million as compared to the corresponding period in 2009. Consequently, the Group recorded a profit of approximately HK\$4.2 million on the IHA segment for the Period (six months ended 30th June 2009: a loss of approximately HK\$8.7 million).

The Group's investing segment is principally engaged in investing in available-for-sale financial assets and trading of securities. This segment recorded a loss of approximately HK\$1.2 million for the Period while the Group recorded a profit of HK\$1.4 million in the same period of last year. The main reason for the turnaround was that the Group recorded realized and unrealized losses on certain financial assets totaling approximately HK\$1.3 million during the period under review (six months ended 30th June 2009: a profit of approximately HK\$1.4 million).



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Segment Information *(Continued)*

In respect of the Group's trading segment, because of the lack of new breakthrough in recent years, the Group recorded a small profit of approximately HK\$0.5 million from this segment for the Period (six months ended 30th June 2009: a loss of approximately HK\$0.7 million). As to the other operations segment of the Group, due to the increase in rental incomes from leasing out properties of the Group, the result of this segment increased by 28.6% to approximately HK\$1.0 million for the Period as compared to the same period of last year.

Geographical markets of the Group were mainly located in the PRC during the period under review. The turnover for the Period generated from the PRC market increased significantly by 304.6% to approximately HK\$105.2 million as compared to the same period of last year. This increase was mainly attributable to the expansion of the Group's IHA business into more provinces and cities in the PRC during the period under review. At the same time, the turnover generated from overseas and Hong Kong markets also increased significantly by 83.4% and by 181.7% to approximately HK\$25.2 million and HK\$25.3 million respectively for the Period as compared to the same period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Exposure to Fluctuations in Exchange Rates

Most of the trading transactions of the Group were denominated in United States dollars and in Renminbi. The assets of the Group were mainly denominated in Renminbi and the remaining portions were denominated in Hong Kong dollars. The official exchange rates for United States dollars, Hong Kong dollars and Renminbi have been stable for the Period and no hedging or other alternative measures have been implemented by the Group. As at 30th June 2010, the Group had no significant exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

Contingent Liabilities

- (a) In December 2008, Guangdong Jianlibao Group Company Limited (“JLB Group”) initiated proceedings against (1) Mr. Zhang Hai, former chairman and chief executive officer of JLB Group, and the controlling shareholders, actual controller, directors, supervisors, senior management of Foshan Zhixing Technology Co., Limited (“Foshan Zhixing”) for infringing the interest of JLB Group; (2) Mr. Zhang Hai and the controlling shareholders, actual controller, directors, supervisors, senior management of Sheng Bang Qiang Dian Electronics (Shenzhen) Co., Ltd (“Shenzhen Sheng Bang”) for infringing the interest of JLB Group; and (3) Mr. Zhang Hai and the controlling shareholders, actual controller, directors, supervisors, senior management of Beijing Golden Yuxing Electronics and Technology Company Limited (“Golden Yuxing”) for infringing the interest of JLB Group (collectively the “Actions”). Foshan Zhixing, Shenzhen Sheng Bang and Golden Yuxing are wholly-owned subsidiaries of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Contingent Liabilities *(Continued)*

The People's Court of San Shui District, Foshan City, Guangdong Province (the "Court of San Shui") issued judgments ((2009) San Fa Min Er Chu Zi No. 38-1), ((2009) San Fa Min Er Chu Zi No. 39-1) and ((2009) San Fa Min Er Chu Zi No. 40-1) and summons dated 9th December 2008, which stated that, on application by JLB Group, the Court of San Shui made orders of (1) freezing the bank deposits of Mr. Zhang Hai and Foshan Zhixing totaling RMB10.1 million or sealing up and distraining its assets of such equivalent amount; (2) freezing the bank deposits of Mr. Zhang Hai and Shenzhen Sheng Bang totaling RMB40.62 million or sealing up and distraining its assets of such equivalent amount; and (3) freezing the bank deposits of Mr. Zhang Hai and Golden Yuxing totaling RMB46.0 million or sealing up and distraining its assets of an equivalent amount, together with a standby moratorium dated 13th January 2009 referring to Golden Yuxing's 36.66% equity interest in Shenzhen Jiangnan Industrial Development Co., Ltd. ("JI") from the Court of San Shui. The Group has been notified in August of 2009 that the Actions have been transferred from the Court of San Shui to the Intermediate People's Court of Fo Shan, Guangdong Province (the "Intermediate Court of Fo Shan").

The Group was also notified that Golden Yuxing, Foshan Zhixing and Shenzhen Sheng Bang had received summons and notices from the Intermediate Court of Fo Shan regarding the scheduling of the trial date on 16th October 2009, and Mr. Zhu Wei Sha becoming one of the defendants of the Actions.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Contingent Liabilities *(Continued)*

On 20th October 2009, the Group was notified by JI that the Intermediate Court of Fo Shan has 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 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 12th August 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. As a result of the above freezing order, the dividend receivable from JI amounting to approximately HK\$8.8 million (as at 31st December 2009: approximately HK\$8.7 million) was classified as non-current asset as at 30th June 2010.

On 9th March 2010, the Group received summons from Intermediate Court of Fo Shan, which summoned Beijing Yuxing Software Co., Limited and Golden Yuxing to the court to respond to hearings.

As at 30th June 2010, certain cash and bank balances of the Group with carrying value of approximately HK\$1.0 million (as at 31st December 2009: approximately HK\$1.0 million) were frozen by the Intermediate Court of Fo Shan.

As at the date of this report, no trial or judgement for the Actions has been received from the Intermediate Court of Fo Shan yet. The Board has sought legal advice from its PRC lawyers and is of the view that the Actions are based on unsubstantiated and invalid grounds. The Board does not believe the Actions will have any significant impact on the financial position of the Group and no provision is considered necessary.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Contingent Liabilities *(Continued)*

- (b) In 2007, JLB Group lodged a petition with the Higher People's Court of the Guangdong Province in the PRC (the "Guangdong Higher Court") to institute a civil action against Golden Yuxing as purchaser and Sanshui Jianlibao Health Industry Investment Co., Ltd ("SJHII") as vendor, claiming, among other matters, that the sale by SJHII to Golden Yuxing in August 2004 of 10.435% (which was subsequently increased to 36.66% pursuant to adjustments of shareholders' equity interest in 2006) equity interest in JI (the "Acquisition"), a company whose principal assets were 479,117,788 shares of Ping An Insurance (Group) Company of China Limited ("Ping An Shares") (subsequently reduced to 139,112,886 Ping An Shares as at 31st December 2007), was invalid.

On 18th February 2008, Golden Yuxing received a notification from the Guangdong Higher Court, which said that JLB Group claimed that SJHII was actually a trustee holding the shares of JI on their behalf and had entered into the share sale agreement with Golden Yuxing without JLB Group's approval or authorisation. In addition, the fact that the aggregate investment cost exceeded 50% of Golden Yuxing's net assets also violated Rule 12 of the Company Law then in force in the PRC. The share sale transaction was therefore invalid and SJHII did not have the right to pass the legal title of the JI's shares to Golden Yuxing. JLB Group thereby demanded the reversion and return of the JI's shares from Golden Yuxing to SJHII.

On 7th January 2009, the Group received a judgment dated 23rd December 2008 from the Guangdong Higher Court which ruled that (i) the Acquisition and the registration of the transfer of the related equity interest in JI were legally valid; (ii) the claim submitted by the JLB Group to invalidate the Acquisition was rejected; and (iii) the counter-claim filed by Golden Yuxing with the Guangdong Higher Court in May 2008 as a result of JLB Group's claim was also rejected.



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Contingent Liabilities *(Continued)*

On 25th June 2009, Golden Yuxing was notified by the Supreme Court of the People's Republic of China (the "Supreme Court") that an appeal has been lodged by the JLB Group, and which was accepted by the Supreme Court.

In December 2009, the Group received the (2009) Min Er Zhong Zi No. 53 civil ruling made on 20th November 2009 from the Supreme Court which ruled that upon the hearing, with regard to the litigation, the Supreme Court was of the view that the trial judgement of the Guangdong Higher Court misapprehended the facts and therefore ruled (1) to revoke the civil ruling issued by the Guangdong Higher Court on 23rd December 2008; and (2) to return the case to the Guangdong Higher Court for rehearing.

On 22nd June 2010, the Group received summons dated 10th June 2010 in relation to the litigation from the Guangdong Higher Court, which summoned Golden Yuxing to the court to respond to hearings scheduled on 25th June 2010. The Group has instructed the PRC lawyers to respond to the hearings.

As at the date of this report, the Group has not received any judgment from the Guangdong Higher Court. The Board has sought legal advice from its PRC lawyers and maintained the view that the claim submitted by JLB Group is based on invalid grounds and the Group has valid title on the 36.66% equity interest in JI. Therefore, the Board believes that such claim will not have any significant impact on the financial position of the Group and no provision is considered necessary.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Contingent Liabilities *(Continued)*

- (c) During the period under review, the Group received a notice issued by the Court of San Shui dated 8th February 2010 that the lending dispute cases involving the prosecution by Foshan Sanshui Zheng Tian Technology Investment Company Limited against SJHII, Beijing Ling Si Information System Company Limited and Golden Yuxing, had been designated by the Guangdong Higher Court to come under the jurisdiction of the Intermediate Court of Fo Shan. As at the date of this report, the lending dispute cases are under hearing by the Intermediate Court of Fo Shan.

The Board has sought legal advice from its PRC lawyers regarding the dispute and is of the view that the claim is based on invalid grounds. Therefore, the Board believes the claim will not have significant impact on the financial position of the Group and no provision is considered necessary.

Post Balance Sheet Events

On 5th August 2010, the Company entered into a subscription agreement with an independent subscriber which had conditionally agreed to subscribe for an aggregate of 100 million shares to be issued and allotted by the Company at a subscription price of HK\$0.30 per share. Please refer to the announcement of the Company dated 5th August 2010 for further details of the issue of new shares to the subscriber. As at the date of this report, the Listing Committee of the Exchange has granted approval for the listing of and permission to deal in the subscription shares.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Human Resources

As at 30th June 2010, the Group had over 600 (as at 30th June 2009: over 500) full time employees, of which 12 (as at 30th June 2009: 12) were based in Hong Kong and the rest were in the PRC. Staff costs of the Group amounted to approximately HK\$21.4 million for the Period (2009: approximately HK\$19.5 million). This increase in staff costs was mainly due to the increase in number of employees and the increase in salary of employees during the period under review. 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 also include medical scheme, various insurance schemes and share options scheme.

BUSINESS REVIEW

During the period under review, as a result of global economic recovery and strong market growth in the PRC, the Group's overall turnover has increased significantly by 219.6% to approximately HK\$155.8 million as compared with the same period of last year.

For the PRC market, the Group had finished trial commercial operation for IPTV business conducted in various pilot regions and started to provide formal television service based on various telecommunication transmission. Through long term and stable cooperation relationship with the largest telecom equipment and system provider in the PRC, the Group's set-top boxes have been launched in Guangdong Province, Hubei Province, Sichuan Province, Shanxi Province, Chongqing and Shanghai Municipal etc. During the period under review, through cooperation with China Unicom, the Group established its foothold in Liaoning Province and continued shipment of its products there. The "Standard-definition Digital Cable Set-top Box" developed and marketed by the Group has successfully entered the cable set-top boxes market in Shaoxing City and received satisfactory market response. As a result, the Group's turnover under the IHA business derived from the PRC market for the Period increased remarkably by 300.1% to approximately HK\$103.4 million as compared with the same period of last year.



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW *(Continued)*

For the international market, the Group established cooperative partnership with various telecom operators and system integration suppliers. The Group's cooperation with Orca Interactive Ltd. and Viaccess is also progressing well and this allows our products to penetrate into different parts of the world. During the period under review, apart from maintaining stable cooperation relationship with its existing customer, Telefonica, the Group also successfully entered into the Australian and Belgian markets and received good customers' response. As such, turnover from international market increased by 83.4% to approximately HK\$25.2 million as compared with the same period of last year. Besides, the Group also opened up the Russian market during the period under review, with all things related to product development and certification completed and shipment expected to begin in the second half of 2010.

For the Hong Kong market, the Group had completed products upgrading and function integrity to meet the requirements of a Hong Kong customer, with new products successively launched to provide better entertainment experience for the end users. The Group's turnover from Hong Kong market also increased by 181.7% to approximately HK\$25.3 million as compared with the same period of last year.

BUSINESS PROSPECT

With the amalgamation of three telecom nets initiated in the PRC, telecom operators are actively promoting the application of IPTV across the country. Such policy will provide more business opportunities for the Group in this market.

With gradual recovery of the world economy, the IPTV industry will pick up its pace of development in second half of 2010. The Group will adhere to its principles of maintaining a close relationship with global telecom operators while actively exploring cooperation opportunities with medium and small size telecom operators, so as to penetrate into more regions. The Group plans to consolidate its existing markets in the second half of the year and to secure more customers in Eastern Europe at the same time.

SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme"), which was adopted pursuant to the ordinary resolution passed by the shareholders of the Company on 18th May 2003 for the purpose of providing incentives to certain eligible participants and unless otherwise cancelled or amended, will expire on 17th May 2013. Under the Scheme, the Directors may grant share options to eligible employees, including executive Directors, or any persons or entities who have contributed or will contribute to the growth and development of the Group, to subscribe for shares in the Company.

The following table discloses details of the existing granted options held by executive Directors and the employees of the Company under the Scheme and movements during the period under review:

	Date of grant	Exercisable period	Exercise price HK\$	Number of share options				At 30th June 2010
				At 1st January 2010	Exercised during the period	Granted during the period	Cancelled/lapsed during the period	
Directors								
- Mr. Wang An Zhong	26th December 2006	26th December 2006 – 17th May 2013	0.2975	1,600,000	-	-	-	1,600,000
- Mr. Shi Guang Rong	26th December 2006	26th December 2006 – 17th May 2013	0.2975	600,000	-	-	-	600,000
- Mr. Wu Jia Jun	26th December 2006	26th December 2006 – 17th May 2013	0.2975	960,000	-	-	-	960,000
- Mr. Zhong Peng Rong	26th December 2006	26th December 2006 – 17th May 2013	0.2975	1,600,000	-	-	-	1,600,000
- Ms. Shen Yan	26th December 2006	26th December 2006 – 17th May 2013	0.2975	960,000	-	-	-	960,000
Continuous contract employees								
	26th December 2006	26th December 2006 – 17th May 2013	0.2975	62,288,000	(136,000)	-	(32,000)	62,120,000
	4th September 2007	4th September 2007 – 17th May 2013	1.265	55,200,000	-	-	-	55,200,000
				<u>123,208,000</u>	<u>(136,000)</u>	<u>-</u>	<u>(32,000)</u>	<u>123,040,000</u>

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

As at 30th June 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 ordinary shares	Capacity	Percentage of the issued share capital of the Company
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%
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. 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, Directors were granted share options to subscribe for shares of the Company, details of which as at 30th June 2010 were as follows:

Name of Director	Date of grant	Exercise price per share HK\$	Exercisable period	Number of share options				At 30th June 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
				<u>5,720,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,720,000</u>

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

Save as disclosed above, none of the Directors or chief executive of the Company had, as at 30th June 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 30th June 2010, 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 of 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	356,280,000	Trustee	21.85%

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.

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

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 30th June 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.

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 during the six months ended 30th June 2010.

COMPETING INTERESTS

None of the Directors or 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 six months ended 30th June 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 internal controls and risk evaluation system. The audit committee comprises three independent non-executive Directors, namely Mr. Wu Jia Jun, Mr. Zhong Peng Rong and Ms. Shen Yan (chairman of the audit committee).

The Group's unaudited results for the Period 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 had purchased, redeemed or sold any of the Company's listed securities during the six months ended 30th June 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 six months ended 30th June 2010.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential for the rapid growth of the Group and for safeguarding and maximizing shareholders' interests.

The Group has adopted a set of Code on Corporate Governance (the "Company Code") which sets out the corporate standards and practices used by the Group to direct and manage its business affairs. It is prepared by referencing to the principles, code provisions and recommended best practices set out in the Code on Corporate Governance Practices ("GEM Code") contained in Appendix 15 of the GEM Listing Rules. The Board will continue to monitor and revise the Company Code and assess the effectiveness of our corporate governance practices in tandem with changes in the environment and requirements under the GEM Code, to ensure the Company Code is in line with the expectations and interests of shareholders and comply with the GEM Code and the GEM Listing Rules.

CORPORATE GOVERNANCE PRACTICES *(Continued)*

Subject to the deviations as disclosed below, the Company had complied with all the GEM Code during the period under review.

- (a) Under provision A.2.1 of the GEM Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive officer should be clearly established and set out in writing. Mr. Zhu Wei Sha is both the Chairman of the Board and the Chief Executive Officer of the Group. As such, such dual roles constitute a deviation from Code Provisions A.2.1. However, the Board is of the view that: (i) the Company has sufficient internal controls to provide checks and balances on the functions of the roles; (ii) Mr. Zhu Wei Sha as the Chairman of the Board and the Chief Executive Officer of the Group is responsible for ensuring that all Directors act in the best interests of the shareholders. He is fully accountable to the shareholders and contributes to the Board and the Group on all top-level and strategic decisions; and (iii) this structure will not impair the balance of power and authority between the Board and the management of the Company.
- (b) Under provision E.1.2 of the GEM Code, the chairman of the Board should attend the annual general meeting (the "AGM") and arrange for the chairman of the audit, remuneration and nomination committees (as appropriate) to be available to answer questions at the AGM. Mr. Chen Fu Rong, the deputy chairman of the Company has been performing the above duties in lieu of Mr. Zhu Wei Sha, the chairman of the Company, who was on an overseas business trip on the date of the AGM.

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

Hong Kong, 12th August 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; and the independent non-executive Directors are Mr. Wu Jia Jun, Mr. Zhong Peng Rong and Ms. Shen Yan.