



**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 2010*

\*for identification purposes only



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*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 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 NINE-MONTH PERIOD

- For the nine months and three months ended 30th September 2010, turnover of the Group was approximately HK\$225.5 million and HK\$69.7 million respectively, representing an increase of 91.4% and 0.9% respectively in comparison with the corresponding periods in 2009.
- For the nine months and three months ended 30th September 2010, gross profit of the Group increased by 51.0% and decreased by 29.6% respectively to approximately HK\$33.4 million and HK\$9.3 million as compared with the corresponding periods of last year.
- Profit attributable to equity holders of the Company for the nine months and three months ended 30th September 2010 amounted to approximately HK\$12.2 million and HK\$22.3 million respectively, while the Group recorded loss attributable to equity holders of the Company of approximately HK\$23.6 million and HK\$1.9 million respectively for the corresponding periods of last year.
- Basic earnings per share of the Group for the nine months and three months ended 30th September 2010 was HK0.75 cent and HK1.37 cents respectively, while basic loss per share of the Group for the same periods of last year was HK1.45 cents and HK0.11 cent respectively.
- The Board does not recommend the payment of any interim dividend for the nine months ended 30th September 2010.

## NINE-MONTH RESULTS (UNAUDITED)

The board of directors of the Company (the "Board") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the nine months and three months ended 30th September 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)

	Notes	For the nine months ended 30th September		For the three months ended 30th September	
		2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Turnover	2	<b>225,491</b>	117,811	<b>69,701</b>	69,062
Cost of sales		<b>(192,110)</b>	(95,703)	<b>(60,378)</b>	(55,812)
Gross profit		<b>33,381</b>	22,108	<b>9,323</b>	13,250
Other revenue and net income		<b>32,061</b>	6,217	<b>28,077</b>	2,075
Distribution and selling expenses		<b>(7,680)</b>	(5,884)	<b>(2,561)</b>	(1,893)
General and administrative expenses		<b>(40,708)</b>	(45,280)	<b>(11,824)</b>	(14,890)
Other operating expenses		<b>(2,084)</b>	(967)	<b>(31)</b>	(139)
Fair value (loss)/gain on investment properties		<b>(1,160)</b>	700	-	-
Profit/(Loss) from operations		<b>13,810</b>	(23,106)	<b>22,984</b>	(1,597)
Finance costs		<b>(1,652)</b>	(505)	<b>(723)</b>	(265)
Profit/(Loss) before taxation		<b>12,158</b>	(23,611)	<b>22,261</b>	(1,862)
Taxation	3	-	-	-	-
Profit/(Loss) attributable to equity holders of the Company		<b>12,158</b>	(23,611)	<b>22,261</b>	(1,862)
Earnings/(Loss) per share	4				
- Basic		<b>0.75 cent</b>	(1.45) cents	<b>1.37 cents</b>	(0.11) cent
- Diluted		<b>0.73 cent</b>	(1.45) cents	<b>1.34 cents</b>	(0.11) cent

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	For the nine months ended 30th September		For the three months ended 30th September	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit/(Loss) attributable to equity holders of the Company	<b>12,158</b>	(23,611)	<b>22,261</b>	(1,862)
Other comprehensive income/(loss):				
Change in fair value of available-for-sale financial assets	<b>310,059</b>	948,899	<b>396,852</b>	(238,725)
Exchange differences arising on translation of PRC subsidiaries	<b>50,962</b>	3,584	<b>27,079</b>	1,440
Other comprehensive income/(loss) for the period	<b>361,021</b>	952,483	<b>423,931</b>	(237,285)
Total comprehensive income/(loss) attributable to equity holders of the Company	<b>373,179</b>	928,872	<b>446,192</b>	(239,147)



Notes:

## 1. **Basis of preparation**

The Group's unaudited condensed consolidated financial statements for the nine months ended 30th September 2010 have been prepared in accordance with Hong Kong Accounting Standards ("HKAS") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") 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 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**

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

## 3. **Taxation**

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

#### 4. Earnings/(Loss) per share

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

	For the nine months ended 30th September		For the three months ended 30th September	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit/(Loss) attributable to equity holders of the Company	<u>12,158</u>	<u>(23,611)</u>	<u>22,261</u>	<u>(1,862)</u>
	For the nine months ended 30th September		For the three months ended 30th September	
	2010	2009	2010	2009
	'000	'000	'000	'000
Issued ordinary shares at 1st January	1,630,272	1,628,808	–	–
Issued ordinary shares at 1st July	–	–	1,630,408	1,628,984
Effect of share options exercised	<u>98</u>	<u>111</u>	<u>–</u>	<u>125</u>
Weighted average number of ordinary shares for basic earnings/(loss) per share	<u>1,630,370</u>	<u>1,628,919</u>	<u>1,630,408</u>	<u>1,629,109</u>
Effect of dilutive potential ordinary shares:				
Exercise of share options	<u>32,470</u>	<u>N/A</u>	<u>32,432</u>	<u>N/A</u>
Weighted average number of ordinary shares for diluted earnings/(loss) per share	<u>1,662,840</u>	<u>1,628,919</u>	<u>1,662,840</u>	<u>1,629,109</u>
Earnings/(Loss) per share:				
– Basic	<u>0.75 cent</u>	<u>(1.45) cents</u>	<u>1.37 cents</u>	<u>(0.11) cent</u>
– Diluted *	<u>0.73 cent</u>	<u>(1.45) cents</u>	<u>1.34 cents</u>	<u>(0.11) cent</u>

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

## SHARE CAPITAL AND RESERVES

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

	Attributable to equity holder of the Company								
	Share capital	Share premium	Statutory reserves	Contributed surplus	Share option reserves	Other comprehensive income			Total equity
						Investment revaluation reserves	Translation reserves	Retained profits	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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 income for the period	-	-	-	-	-	310,059	50,962	12,158	373,179
<b>At 30th September 2010</b>	<b>40,760</b>	<b>7,804</b>	<b>20,190</b>	<b>234,621</b>	<b>30,751</b>	<b>2,100,201</b>	<b>485,364</b>	<b>69,736</b>	<b>2,989,427</b>
At 1st January 2009	40,720	7,269	20,190	234,621	27,567	515,079	429,772	81,696	1,356,914
Issue of shares under share option scheme	15	157	-	-	-	-	-	-	172
Equity-settled share-based payment	-	-	-	-	3,283	-	-	-	3,283
Total comprehensive income for the period	-	-	-	-	-	948,899	3,584	(23,611)	928,872
<b>At 30th September 2009</b>	<b>40,735</b>	<b>7,426</b>	<b>20,190</b>	<b>234,621</b>	<b>30,850</b>	<b>1,463,978</b>	<b>433,356</b>	<b>58,085</b>	<b>2,289,241</b>

## DIVIDENDS

The Board does not recommend the payment of any interim dividend for the nine months ended 30th September 2010 (the "Period") (for the nine months ended 30th September 2009: Nil).





## FINANCIAL AND BUSINESS REVIEW

During the period under review, the total turnover and gross profit of the Group increased significantly by 91.4% and 51.0% to approximately HK\$225.5 million and HK\$33.4 million respectively for the Period as compared with the same period of last year. This increase in turnover was mainly due to the gradual recovery of the global economy, and the fruitful results of the Group's exploration and expansion of the PRC market. 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 and for the three months ended 30th September 2010 have decreased to 14.8% and 13.4% respectively when compared with the Group's gross profit margin of 18.8% and 19.2% respectively in the same periods of last year.

For the PRC market, through long term and stable cooperation relationship with the largest telecom equipment and system provider in the PRC, the Group's sales volume has been on the rise. The Group's various types of Internet Protocol Television ("IPTV") set-top boxes have been launched in Guangdong Province, Hubei Province, Sichuan Province, Shanxi Province, Chongqing and Shanghai municipal etc. to provide superior on-line service and new entertainment experience for users. During the period under review, the Group established its foothold in Liaoning Province through the cooperation with China United Network Communications Group Co., Ltd ("China Unicom"). As a result, the Group's turnover from the PRC market for the Period increased by 65.8% to approximately HK\$132.8 million as compared with the same period of last year.

For the international market, the Group's technical cooperation with Orca Interactive Ltd. and Viaccess is progressing well and the Group has successfully earned the trust from various telecom operators and system integration suppliers and this allows the Group to become their product services provider or strategic cooperative partner. As a result, a favorable sales performance has been achieved. During the period under review, apart from maintaining stable cooperation relationship with its existing European customers, products of the Group launched in Australian and Belgian markets had officially been activated and received good customers' response. Besides, business from the new market opened up in Russia in the first half of the year has been running smoothly, and the Group is currently supplying large quantity of products there. Driven by these favorable factors, the Group's turnover from the international market increased remarkably by 136.7% to approximately HK\$51.7 million for the Period as compared with the same period of last year.

## FINANCIAL AND BUSINESS REVIEW (Continued)

For the Hong Kong market, the Group's turnover increased significantly by 158.1% to approximately HK\$41.0 million for the Period as compared with the same period of last year. This is because the Group had completed products upgrading and function integration to meet the requirements of a Hong Kong customer, with new products successively launched to the Hong Kong market.

With the significant increase of the Group's turnover, the Group's selling expenses for the Period has also increased by 30.5% to approximately HK\$7.7 million as compared with the same period of last year. At the same time, the Group's general and administrative expenses for the Period decreased by 10.1% to approximately HK\$40.7 million as compared with the corresponding period in 2009. Moreover, to further expand and develop business, the Group has increased its short-term bank borrowings for the Period, which caused the finance costs of the Group increase to approximately HK\$1.7 million for the Period (for the nine months ended 30th September 2009: approximately HK\$0.5 million).

As for the increase in the Group's other operating expenses to approximately HK\$2.1 million for the Period (for the nine months ended 30th September 2009: approximately HK\$1.0 million), the main reason was that the Group recorded realized and unrealized losses on certain financial assets totaling approximately HK\$0.9 million for the Period (for the nine months ended 30th September 2009: approximately HK\$0.4 million).

In addition, the other revenue and net income of the Group for the Period increased significantly by 415.7% to approximately HK\$32.1 million as compared with the corresponding period in the last year (for the nine months ended 30th September 2009: approximately HK\$6.2 million). This was mainly due to the dividend incomes recorded by the Group from its indirect investment in 51 million A shares of Ping An Insurance (Group) Company of China Limited of approximately HK\$26.2 million for the Period (for the nine months ended 30th September 2009: Nil), which was a major contribution to the profit of the Group for the Period. Furthermore, as disclosed in the Company's announcement dated 22nd October 2009, the Intermediate People's Court of Foshan, Guangdong Province (廣東省佛山市中級人民法院) has issued a Notice of Enforcement to Shenzhen Jiangnan Industrial Development Co., Ltd. ("JI") on 4th September 2009, ordering JI to assist in freezing the 36.66% equity interest held by Beijing Golden Yuxing Electronics and Technology Company Limited ("Golden Yuxing"), the wholly owned subsidiary of the Company, in JI and the dividend entitlements of 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 12th August 2010 from the Group's PRC lawyers, Golden Yuxing was entitled to receive the dividends from JI but the suspension of the dividend payment is still in force.



## FINANCIAL AND BUSINESS REVIEW *(Continued)*

Save as the factors disclosed above, the Group's profit attributable to the equity holders of the Company for the Period and for the three months ended 30th September 2010 have risen significantly to approximately HK\$12.2 million and HK\$22.3 million respectively, while the Group recorded loss attributable to equity holders of the Company of approximately HK\$23.6 million and HK\$1.9 million respectively for the corresponding periods of last year.

In relation to the litigation between Guangdong Jianlibao Group Company Limited, Sanshui Jianlibao Health Industry Investment Co., Ltd. and Golden Yuxing in respect of the 36.66% equity interest in 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.

## BUSINESS PROSPECTS

Although the PRC market is developing with a fairly high speed, and the market competition is becoming more intense, the Group, with the experience of technical research and development and customer service accumulated over the years, has full confidence in the future of the PRC market and has resolved to constantly provide its customers with high-tech and competitive products.

The Group will adhere to its principles of maintaining a close relationship with large global telecom operators while actively exploring cooperation opportunities with medium and small size telecom operators, so as to penetrate into more regions, especially to gain more market shares in Europe.

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

As at 30th September 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 ordinary shares of the Company

Name of Director	Nature of interests	Number of ordinary shares	Capacity	Percentage of the total 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, 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 30th September 2010 were as follows:

Name of Director	Date of grant	Exercise price per share HK\$	Exercisable period	Number of share options				
				At 1st January 2010	Exercised During the period	Granted During the period	Cancelled/ lapsed during the period	At 30th September 2010
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>

Save as disclosed above, none of the Directors or chief executive of the Company had, as at 30th September 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 September 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 ordinary shares of the Company

Name of shareholders	Nature of interests	Number of ordinary shares	Capacity	Percentage of the total issued share capital of the Company
Super Dragon (Note 1)	Corporate	660,000,000	Beneficial owner	40.48%
Dragon Treasure (Note 2)	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.
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 September 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 contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed for the nine months ended 30th September 2010.

## 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 for the nine months ended 30th September 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 the 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 nine months ended 30th September 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 for the nine months ended 30th September 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 the Directors and the Directors have confirmed that they have complied with all the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules for the nine months ended 30th September 2010.

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

Hong Kong, 10th November 2010

*As at the date hereof, 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 are Mr. Wu Jia Jun, Mr. Zhong Peng Rong and Ms. Shen Yan.*