



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 2011



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 (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 GEM of the Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to 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 THREE-MONTH PERIOD

For the three months ended 31st March 2011, turnover of the Group has significantly increased by 57.5% to approximately HK\$124.2 million as compared with the corresponding period last year.

For the three months ended 31st March 2011, gross profit of the Group has significantly increased by 96.5% to approximately HK\$15.6 million as compared with the corresponding period last year.

Loss attributable to owners of the parent for the three months ended 31st March 2011 has decreased by 35.7% to approximately HK\$6.0 million as compared with the corresponding period last year.

Basic loss per share for the three months ended 31st March 2011 was HK0.34 cent (three months ended 31st March 2010: HK0.57 cent).

The Board does not recommend the payment of a dividend for the three months ended 31st March 2011.

THREE-MONTH RESULTS (UNAUDITED)

The board of directors of the Company (the “Board”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months ended 31st March 2011, together with the comparative unaudited figures for the corresponding period in 2010, prepared in accordance with generally accepted accounting principles in Hong Kong, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		For the three months ended	
		31st March	
		2011	2010
	Notes	HK\$'000	HK\$'000
Turnover	2	124,158	78,829
Cost of sales		<u>(108,560)</u>	<u>(70,890)</u>
Gross profit		15,598	7,939
Other revenue and net income		1,078	1,892
Distribution and selling expenses		(3,653)	(2,328)
General and administrative expenses		(15,911)	(15,715)
Other operating expenses		<u>(2,502)</u>	<u>(597)</u>
Loss from operations		(5,390)	(8,809)
Finance costs		<u>(587)</u>	<u>(486)</u>
Loss before taxation		(5,977)	(9,295)
Taxation	3	<u>-</u>	<u>-</u>
Loss attributable to owners of the parent	4	<u>(5,977)</u>	<u>(9,295)</u>
Loss per share	4		
– Basic		(0.34) cent	(0.57) cent
– Diluted		<u>(0.34) cent</u>	<u>(0.57) cent</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	For the three months ended	
	31st March	
	2011	2010
	HK\$'000	HK\$'000
Loss attributable to owners of the parent	(5,977)	(9,295)
Other comprehensive loss:		
Change in fair value of available-for-sale financial assets	(241,720)	(75,075)
Exchange differences arising on translation of PRC subsidiaries	32,169	3,382
Other comprehensive loss for the period	(209,551)	(71,693)
Total comprehensive loss attributable to owners of the parent	(215,528)	(80,988)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Attributable to owners of the parent								
	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 2011	43,355	36,691	20,190	234,621	30,398	2,363,238	524,624	72,387	3,325,504
Loss for the period	-	-	-	-	-	-	-	(5,977)	(5,977)
Other comprehensive loss:									
Change in fair value of available-for-sale financial assets	-	-	-	-	-	(241,720)	-	-	(241,720)
Exchange differences arising on translation of PRC subsidiaries	-	-	-	-	-	-	32,169	-	32,169
Total other comprehensive loss	-	-	-	-	-	(241,720)	32,169	-	(209,551)
Total comprehensive loss for the period	-	-	-	-	-	(241,720)	32,169	(5,977)	(215,528)
Transactions with owners:									
Issue of shares under share option scheme	-	2	-	-	-	-	-	-	2
Total transactions with owners	-	2	-	-	-	-	-	-	2
At 31st March 2011	43,355	36,693	20,190	234,621	30,398	2,121,518	556,793	66,410	3,109,978
At 1st January 2010	40,757	7,767	20,190	234,621	30,751	1,790,142	434,402	57,578	2,616,208
Loss for the period	-	-	-	-	-	-	-	(9,295)	(9,295)
Other comprehensive loss:									
Change in fair value of available-for-sale financial assets	-	-	-	-	-	(75,075)	-	-	(75,075)
Exchange differences arising on translation of PRC subsidiaries	-	-	-	-	-	-	3,382	-	3,382
Total other comprehensive loss	-	-	-	-	-	(75,075)	3,382	-	(71,693)
Total comprehensive loss for the period	-	-	-	-	-	(75,075)	3,382	(9,295)	(80,988)
Transactions with owners:									
Issue of shares under share option scheme	3	37	-	-	-	-	-	-	40
Total transactions with owners	3	37	-	-	-	-	-	-	40
At 31st March 2010	40,760	7,804	20,190	234,621	30,751	1,715,067	437,784	48,283	2,535,260

Notes:

1. **Basis of preparation**

The Group's unaudited condensed consolidated financial statements for the three months ended 31st March 2011 have been prepared in accordance with Hong Kong Accounting Standards 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 2010.

At the date of authorisation of these financial statements, the HKICPA has issued a number of new/revised Hong Kong Financial Reporting Standards ("HKFRSs") that are not yet effective for the current year, which the Group has not early adopted. The Group is in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the Group's consolidated financial statements.

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 home 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 2011 and 2010 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 owners of the parent is based on the following data:

	For the three months ended	
	31st March	
	2011	2010
	HK\$'000	HK\$'000
Consolidated loss attributable to owners of the parent	<u>(5,977)</u>	<u>(9,295)</u>
	For the three months ended	
	31st March	
	2011	2010
	'000	'000
Issued ordinary shares at 1st January	1,734,200	1,630,272
Effect of share options exercised	<u>7</u>	<u>21</u>
Weighted average number of ordinary shares for basic loss per share	1,734,207	1,630,293
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>1,734,207</u>	<u>1,630,293</u>
Loss per share:		
– Basic	<u>(0.34) cent</u>	(0.57) cent
– Diluted (<i>Note</i>)	<u>(0.34) cent</u>	<u>(0.57) 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 does not recommend the payment of a dividend for the three months ended 31st March 2011 (the "Period") (for the three months ended 31st March 2010: Nil).

FINANCIAL AND BUSINESS REVIEW

During the period under review, the Group's business achieved remarkable performance, with the overall turnover and gross profit amounted to approximately HK\$124.2 million and HK\$15.6 million respectively for the Period, representing a substantial increase of 57.5% and 96.5% as compared with the same period of last year. This was the first time the Group's turnover exceeded a hundred million in a single quarter, and this increase was mainly attributable to the rapid growth of the global Internet Protocol Television ("IPTV") market as well as rebound of the PRC domestic market, which together with the right positioning of the Group's products, had successfully captured demand of users.

During the period under review, the PRC market grew at a rapid pace. The Group had continued to expand its market share by launching its various types of set-top boxes into different provinces and municipals through the largest telecom equipment and system provider in the PRC. A new sales record in the PRC was reached approximately HK\$87.0 million for the Period, representing a surge of 52.1% as compared with the same period of last year.

For the international market, the Group maintained cooperation relationship with various existing telecom operators and system integration suppliers so as to consolidate its market position. As such, the Group's turnover in the international market for the Period increased by 61.9% to approximately HK\$18.9 million, as compared with the same period of last year.

The Hong Kong market also achieved satisfactory growth, with turnover amounted to approximately HK\$18.3 million for the Period, representing a significant increase of 83.6% as compared with the same period of last year. The Group is conducting marketing activities with a Hong Kong customer to gradually launch new high digital set-top boxes products to the market so as to provide more entertainment experience to customers.

FINANCIAL AND BUSINESS REVIEW *(Continued)*

With the significant increase of the Group's turnover, the Group's selling expenses for the Period has also increased by 56.9% to approximately HK\$3.7 million as compared with the same period of last year. At the same time, the Group's general and administrative expenses for the Period slightly increased by 1.2% to approximately HK\$15.9 million as compared with the corresponding period in 2010. 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\$0.6 million for the Period (for the three months ended 31st March 2010: approximately HK\$0.5 million).

The main reason for the increase in the Group's other operating expenses to approximately HK\$2.5 million for the Period (for the three months ended 31st March 2010: approximately HK\$0.6 million) was that the Group recorded realized and unrealized losses on certain financial assets totaling approximately HK\$2.0 million for the Period (for the three months ended 31st March 2010: approximately HK\$0.2 million).

As a result of the foregoing, the Group recorded a loss attributable to owners of the parent of approximately HK\$6.0 million for the Period, which has decreased by 35.7% as compared to a loss attributable to owners of the parent of approximately HK\$9.3 million recorded by the Group in the same period of last year.

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 the Company's 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 17th March 2011 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

Being one of the pioneers engaging in the research and development of broadband set-top boxes, the Group has been focusing on the IPTV and home broadband entertainment markets for ten years. Today, IPTV is widely used around the world and has entered a period of steady growth, in particularly in the huge PRC market, which will definitely have a better and brighter future for the Group's business.

With growth of the global economy and the Group's proactive approach, IPTV is set to enter a new phase and will generate satisfactory return for the Group's business.

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

As at 31st March 2011, 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 to the issued share capital of the Company
Mr. Zhu Wei Sha	Corporate (Note 1)	660,000,000	Interest of a controlled corporation	38.06%
	Personal (Note 2)	300,000	Beneficial owner	0.02%
Mr. Chen Fu Rong	Corporate (Note 1)	660,000,000	Interest of a controlled corporation	38.06%
Mr. Shi Guang Rong	Personal (Note 2)	26,000,000	Beneficial owner	1.50%
Mr. Wang An Zhong	Personal (Note 2)	5,136,756	Beneficial owner	0.30%

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 2011 were as follows:

Name of Director	Date of grant	Exercise price per share HK\$	Exercisable period	Number of share options				
				At 1st January 2011	Exercised during the period	Granted during the period	Forfeited during the period	At 31st March 2011
Mr. Wang An Zhong	26th December 2006	0.2975	26th December 2006 - 17th May 2013	1,600,000	-	-	-	1,600,000
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>5,120,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,120,000</u>

Save as disclosed above, none of the Directors or chief executive of the Company had, as at 31st March 2011, 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 2011, 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 (Note 1)	Corporate	660,000,000	Beneficial owner	38.06%
Dragon Treasure (Note 2)	Corporate	348,696,000	Trustee	20.11%

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 2011, 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 2011.

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 2011 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 2011.

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 2011.

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

Hong Kong, 12th May 2011

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