



Yuxing InfoTech Investment Holdings Limited

裕興科技投資控股有限公司*

(Incorporated in Bermuda with limited liability)

Stock Code: 8005

Interim Report 2011



* 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 of the Exchange 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 Investment 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 this report or any statement in this report misleading.

HIGHLIGHTS

- For the six months and three months ended 30th June 2011, turnover of the Group was approximately HK\$276.8 million and HK\$152.7 million respectively, representing a significant improvement of 77.7% and 98.4% respectively in comparison to the corresponding periods in 2010.
- For the six months and three months ended 30th June 2011, gross profit of the Group increased significantly by 80.4% and 72.5% respectively to approximately HK\$43.4 million and HK\$27.8 million as compared with the corresponding periods of last year.
- Profit attributable to owners of the parent for the six months and three months ended 30th June 2011 amounted to approximately HK\$5.5 million and HK\$11.4 million respectively, while the Group recorded a loss attributable to owners of the parent of approximately HK\$10.1 million and HK\$0.8 million respectively in the corresponding periods of last year.
- Basic earnings per share for the six months and three months ended 30th June 2011 were HK0.31 cent and HK0.66 cent respectively.
- Total equity attributable to owners of the parent as at 30th June 2011 was approximately HK\$3,157.8 million or net assets per share of HK\$1.82.
- The Board does not recommend the payment of any interim dividend for the six months ended 30th June 2011.

INTERIM RESULTS (UNAUDITED)

The board of directors of the Company (the "Board") 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 2011 together with the comparative unaudited figures for the corresponding periods in 2010, 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 2011

	Notes	For the six months ended 30th June		For the three months ended 30th June	
		2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Turnover	2	276,848	155,790	152,690	76,961
Cost of sales		(233,446)	(131,732)	(124,886)	(60,842)
Gross profit		43,402	24,058	27,804	16,119
Other revenue and net income		2,441	3,984	1,363	2,092
Distribution and selling expenses		(8,333)	(5,119)	(4,680)	(2,791)
General and administrative expenses		(29,935)	(28,884)	(14,024)	(13,169)
Other operating expenses		(4,849)	(2,053)	(2,347)	(1,456)
Fair value gain/(loss) on investment properties		4,940	(1,160)	4,940	(1,160)
Profit/(Loss) from operations		7,666	(9,174)	13,056	(365)
Finance costs		(1,951)	(929)	(1,364)	(443)
Profit/(Loss) before taxation	3	5,715	(10,103)	11,692	(808)
Taxation	4	(262)	–	(262)	–
Profit/(Loss) attributable to owners of the parent		5,453	(10,103)	11,430	(808)
Earnings/(Loss) per share	5				
– Basic		0.31 cent	(0.62) cent	0.66 cent	(0.05) cent
– Diluted		0.31 cent	(0.62) cent	0.65 cent	(0.05) cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months and three months ended 30th June 2011

	For the six months ended 30th June		For the three months ended 30th June	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Profit/(Loss) attributable to owners of the parent	5,453	(10,103)	11,430	(808)
Other comprehensive (loss)/income:				
Change in fair value of available-for-sale financial assets	(247,286)	(86,793)	(5,566)	(11,718)
Exchange differences arising on translation of PRC subsidiaries	74,129	23,883	41,960	20,501
Other comprehensive (loss)/income for the period	(173,157)	(62,910)	36,394	8,783
Total comprehensive (loss)/income attributable to owners of the parent	(167,704)	(73,013)	47,824	7,975

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2011

		(Unaudited) As at 30th June 2011 HK\$'000	(Audited) As at 31st December 2010 HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Investment properties		38,060	33,120
Property, plant and equipment	6	94,022	94,704
Prepaid lease payments		13,362	13,240
Available-for-sale financial assets	7	2,885,805	3,062,027
		3,031,249	3,203,091
CURRENT ASSETS			
Inventories		98,238	70,763
Trade and other receivables	8	139,660	112,496
Prepaid lease payments		372	364
Dividend receivable		36,797	35,962
Financial assets at fair value through profit or loss		14,127	15,038
Pledged bank deposits		8,019	8,680
Cash and bank balances		73,127	56,139
		370,340	299,442
CURRENT LIABILITIES			
Trade and other payables	9	152,436	115,650
Bank loans		91,256	61,185
Tax payable		81	194
		243,773	177,029
NET CURRENT ASSETS			
		126,567	122,413
NET ASSETS			
		3,157,816	3,325,504
CAPITAL AND RESERVES			
Share capital	11	43,356	43,355
Reserves		3,114,460	3,282,149
TOTAL EQUITY			
		3,157,816	3,325,504

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30th June 2011

	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
Profit for the period	-	-	-	-	-	-	-	11,430	11,430
Other comprehensive income:									
Change in fair value of available-for-sale financial assets	-	-	-	-	-	(5,566)	-	-	(5,566)
Exchange differences arising on translation of PRC subsidiaries	-	-	-	-	-	-	41,960	-	41,960
Total other comprehensive income	-	-	-	-	-	(5,566)	41,960	-	36,394
Total comprehensive income for the period	-	-	-	-	-	(5,566)	41,960	11,430	47,824
Transactions with owners:									
Issue of shares under share option scheme	1	13	-	-	-	-	-	-	14
Total transactions with owners	1	13	-	-	-	-	-	-	14
At 30th June 2011	43,356	36,706	20,190	234,621	30,398	2,115,952	598,753	77,840	3,157,816

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

For the six months ended 30th June 2011

	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 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
Loss for the period	-	-	-	-	-	-	-	(808)	(808)
Other comprehensive income:									
Change in fair value of available-for-sale financial assets	-	-	-	-	-	(11,718)	-	-	(11,718)
Exchange differences arising on translation of PRC subsidiaries	-	-	-	-	-	-	20,501	-	20,501
Total other comprehensive income	-	-	-	-	-	(11,718)	20,501	-	8,783
Total comprehensive income for the period	-	-	-	-	-	(11,718)	20,501	(808)	7,975
Transactions with owners:									
Issue of shares under share option scheme	-	-	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-	-	-	-

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

For the six months ended 30th June 2011

	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 30th June 2010	40,760	7,804	20,190	234,621	30,751	1,703,349	458,285	47,475	2,543,235
Profit for the period	-	-	-	-	-	-	-	24,912	24,912
Other comprehensive income:									
Change in fair value of available-for-sale financial assets	-	-	-	-	-	659,889	-	-	659,889
Exchange differences arising on translation of PRC subsidiaries	-	-	-	-	-	-	66,339	-	66,339
Total other comprehensive income	-	-	-	-	-	659,889	66,339	-	726,228
Total comprehensive income for the period	-	-	-	-	-	659,889	66,339	24,912	751,140
Transactions with owners:									
Issue of shares under share option scheme	95	1,387	-	-	(353)	-	-	-	1,129
Issue of new shares upon a private placing	2,500	27,500	-	-	-	-	-	-	30,000
Total transactions with owners	2,595	28,887	-	-	(353)	-	-	-	31,129
At 31st December 2010	<u>43,355</u>	<u>36,691</u>	<u>20,190</u>	<u>234,621</u>	<u>30,398</u>	<u>2,363,238</u>	<u>524,624</u>	<u>72,387</u>	<u>3,325,504</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30th June 2011

	For the six months ended 30th June	
	2011	2010
	HK\$'000	HK\$'000
Net cash used in operating activities	(7,892)	(22,870)
Net cash used in investing activities	(3,564)	(3,831)
Net cash generated from financing activities	<u>27,048</u>	<u>6,796</u>
Net increase/(decrease) in cash and cash equivalents	15,592	(19,905)
Cash and cash equivalents as at 1st January	64,819	66,479
Effect of foreign exchange rate changes	<u>735</u>	<u>397</u>
Cash and cash equivalents as at 30th June	<u>81,146</u>	<u>46,971</u>
Analysis of balances of cash and cash equivalents:		
Pledged bank deposits	8,019	5,797
Cash and bank balances	<u>73,127</u>	<u>41,174</u>
	<u>81,146</u>	<u>46,971</u>

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 2011 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 2010. 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 2010. 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.

At the date of authorisation of these financial statements, the HKICPA has issued a number of new/revised HKFRS that are not yet effective for the current period, 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 HKFRS, but are not yet in a position to reasonably estimate their impact on the Group’s consolidated financial statements.

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 home appliances and complementary products to consumer markets.

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

The trading segment is principally engaged in selling electronic components, plastic and miscellaneous products.

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

Inter-segment sales transactions are charged at prevailing market rates.

2 Turnover and segment information (Continued)

Business segments

Turnover represents net invoiced value of goods sold to customers less returns and allowance. An analysis of the Group's turnover, revenue and other income, segment results and segment assets by business segments is as follows:

	For the six months ended 30th June 2011					Consolidated HK\$'000
	Information home appliances HK\$'000	Investing HK\$'000	Trading HK\$'000	Other operations HK\$'000	Elimination HK\$'000	
TURNOVER						
External sales	276,221	-	627	-	-	276,848
Inter-segment sales	-	-	6,340	-	(6,340)	-
REVENUE AND OTHER INCOME	<u>290</u>	<u>189</u>	<u>49</u>	<u>1,543</u>	<u>-</u>	<u>2,071</u>
Total	<u>276,511</u>	<u>189</u>	<u>7,016</u>	<u>1,543</u>	<u>(6,340)</u>	<u>278,919</u>
RESULTS						
Segment results	<u>13,617</u>	<u>(3,847)</u>	<u>-</u>	<u>847</u>	<u>-</u>	<u>10,617</u>
Unallocated corporate income						104
Interest income						266
Fair value gain on investment properties						4,940
Other unallocated corporate expenses						<u>(8,261)</u>
Profit from operations						7,666
Finance costs						<u>(1,951)</u>
Profit before taxation						5,715
Taxation						<u>(262)</u>
Profit for the period						<u>5,453</u>

2 Turnover and segment information (Continued)

Business segments (Continued)

	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	<u>-</u>	<u>43</u>	<u>-</u>	<u>1,029</u>	<u>-</u>	<u>1,072</u>
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)

Segment assets

The following table presents segment assets of the Group's business segments as at 30th June 2011 and 31st December 2010:

	Information home appliances HK\$'000	Investing HK\$'000	Trading HK\$'000	Other operations HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Segment assets						
At 30th June 2011	<u>374,374</u>	<u>2,940,819</u>	<u>5,367</u>	<u>54,595</u>	<u>26,434</u>	<u>3,401,589</u>
At 31st December 2010	<u>288,859</u>	<u>3,120,020</u>	<u>7,747</u>	<u>47,965</u>	<u>37,942</u>	<u>3,502,533</u>

Geographical information

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

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	
	2011	2010
	HK\$'000	HK\$'000
The PRC	189,227	105,249
Hong Kong	33,280	25,317
Russia	36,208	–
Other overseas markets	18,133	25,224
	<u>276,848</u>	<u>155,790</u>

In addition to the information disclosed above, the Group generated revenue and other income from information home appliances segment of approximately HK\$272,000 (six months ended 30th June 2010: HK\$Nil) and approximately HK\$18,000 (six months ended 30th June 2010: HK\$Nil) in the PRC and Hong Kong respectively, and the Group generated revenue and other income from investing segment of approximately HK\$16,000 (six months ended 30th June 2010: HK\$Nil) and approximately HK\$173,000 (six months ended 30th June 2010: approximately HK\$43,000) in the PRC and Hong Kong respectively.

2 Turnover and segment information (Continued)

Geographical information (Continued)

The Group also generated revenue and other income from trading segment of approximately HK\$49,000 (six months ended 30th June 2010: HK\$Nil) in the PRC, and the Group generated revenue and other income from other operations segment of approximately HK\$943,000 (six months ended 30th June 2010: approximately HK\$429,000) and HK\$600,000 (six months ended 30th June 2010: HK\$600,000) in the PRC and Hong Kong respectively.

3 Profit/(Loss) before taxation

Profit/(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	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Crediting:				
Reversal of write-down of inventories	–	–	1,982	301
Charging:				
Net losses on disposal of financial assets at fair value through profit or loss	1,559	138	1,332	298
Net unrealised holding losses on financial assets at fair value through profit or loss	2,477	1,147	657	774
Impairment on inventories	1,765	673	–	–
Amortisation of prepaid lease payments	184	176	92	88
Depreciation of property, plant and equipment	3,645	3,623	1,827	1,809
Total depreciation and amortisation	<u>3,829</u>	<u>3,799</u>	<u>1,919</u>	<u>1,897</u>

4 Taxation

The taxation charged to profit or loss represents:

	For the six months ended 30th June		For the three months ended 30th June	
	2011	2010	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
PRC enterprise income tax	262	–	262	–

The income tax provision in respect of operations in the PRC is calculated at the applicable tax rate of 25% on the estimated assessable profits for the six months and three months ended 30th June 2011 based on existing legislation, interpretations and practices in respect thereof. No PRC enterprise income tax has been provided for the six months and three months ended 30th June 2010 as the Group did not have any assessable profit from the PRC for both periods.

No Hong Kong Profits Tax has been provided for the six months and three months ended 30th June 2011 and 2010 as the Group did not have any assessable profit from Hong Kong for both periods.

5 Earnings/(Loss) per share

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

	For the six months ended 30th June		For the three months ended 30th June	
	2011	2010	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Consolidated profit/(loss) attributable to owners of the parent	5,453	(10,103)	11,430	(808)

5 Earnings/(Loss) per share (Continued)

	For the six months ended 30th June		For the three months ended 30th June	
	2011	2010	2011	2010
	'000	'000	'000	'000
Issued ordinary shares at 1st January	1,734,200	1,630,272	–	–
Issued ordinary shares at 1st April	–	–	1,734,208	1,630,408
Effect of share options exercised	<u>13</u>	<u>79</u>	<u>11</u>	<u>–</u>
Weighted average number of ordinary shares for basic earnings/(loss) per share	<u>1,734,213</u>	<u>1,630,351</u>	<u>1,734,219</u>	<u>1,630,408</u>
Effect of dilutive potential ordinary shares: Exercise of share options	<u>28,105</u>	<u>N/A</u>	<u>19,824</u>	<u>N/A</u>
Weighted average number of ordinary shares for diluted earnings/(loss) per share	<u><u>1,762,318</u></u>	<u><u>1,630,351</u></u>	<u><u>1,754,043</u></u>	<u><u>1,630,408</u></u>
Earnings/(Loss) per share:				
– Basic	<u><u>0.31 cent</u></u>	<u><u>(0.62) cent</u></u>	<u><u>0.66 cent</u></u>	<u><u>(0.05) cent</u></u>
– Diluted*	<u><u>0.31 cent</u></u>	<u><u>(0.62) cent</u></u>	<u><u>0.65 cent</u></u>	<u><u>(0.05) cent</u></u>

* The calculation of diluted earnings per share for the six months and three months ended 30th June 2011 is based on the profit attributable to owners of the parent of approximately HK\$5,453,000 and HK\$11,430,000 respectively, and the weighted average number of ordinary shares issued during the periods of approximately 1,734,213,000 shares and 1,734,219,000 shares respectively after adjusting for the number of dilutive potential ordinary shares arising from the outstanding share options granted under the Company's share option scheme.

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

6 Property, plant and equipment

During the period, the Group expended approximately HK\$948,000 (six months ended 30th June 2010: approximately HK\$764,000) on the acquisition of equipment for the expansion of the Group's operations.

7 Available-for-sale financial assets

	30th June	31st December
	2011	2010
	HK\$'000	HK\$'000
Unlisted equity securities, at fair value		
– Equity interest in Shenzhen Jiangnan Industrial Development Company Limited (“JI”) (Note)	<u>2,885,805</u>	<u>3,062,027</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 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 Company Limited (“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 interest 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.

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) Company Limited, both of which are wholly-owned subsidiaries of the Group. The moratorium will be expired on 21st October 2011. The Intermediate People’s Court of Foshan, 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.

7 Available-for-sale financial assets (Continued)

Note: (Continued)

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 2011, 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 RMB2,399,835,000 (equivalent to approximately HK\$2,885,805,000) (31st December 2010: approximately RMB2,605,478,000 (equivalent to approximately HK\$3,062,027,000)). The valuation was arrived at by reference to the PRC unaudited financial statements of JI as at 30th June 2011 and adjusted by the market value of 51,000,000 Ping An Shares as at 30th June 2011. 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 RMB205,643,000 (equivalent to approximately HK\$247,286,000) as at 30th June 2011 (31st December 2010: a revaluation surplus of approximately RMB487,647,000 (equivalent to approximately HK\$573,096,000)).

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 2011 HK\$'000	31st December 2010 HK\$'000
0 – 30 days	64,662	48,219
31 – 60 days	31,078	29,066
61 – 90 days	5,864	8,457
Over 90 days	3,631	4,214
	105,235	89,956

9 Trade and other payables

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

	30th June 2011 HK\$'000	31st December 2010 HK\$'000
0 – 30 days	25,984	41,707
31 – 60 days	21,839	21,856
61 – 90 days	25,101	10,212
Over 90 days	47,161	12,242
	120,085	86,017

10 Pledge of assets

At 30th June 2011, the Group had pledged the following assets to secure the banking facilities:

- (a) Investment properties of the Group with carrying value of HK\$38,060,000 (31st December 2010: HK\$33,120,000);
- (b) Prepaid lease payments, buildings and leasehold improvements of the Group with carrying values of approximately HK\$13,734,000 (31st December 2010: approximately HK\$13,604,000), approximately HK\$69,376,000 (31st December 2010: approximately HK\$69,155,000) and approximately HK\$333,000 (31st December 2010: approximately HK\$336,000);
- (c) A leasehold property of the Group with carrying value of approximately HK\$2,782,000 (31st December 2010: approximately HK\$2,831,000); and
- (d) Bank deposit of the Group with carrying value of approximately HK\$8,019,000 (31st December 2010: approximately HK\$8,680,000).

11 Share capital

	Number of shares		Amount	
	30th June	31st December	30th June	31st December
	2011	2010	2011	2010
	'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	1,734,200	1,630,272	43,355	40,757
Exercise of share options	56	3,928	1	98
Issue of new shares upon a private placing	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>2,500</u>
At end of period/year				
Ordinary shares of HK\$0.025 each	<u>1,734,256</u>	<u>1,734,200</u>	<u>43,356</u>	<u>43,355</u>

RESERVES

Movements in the reserves of the Group for the six months ended 30th June 2011 (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 2010: 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 77.7% to approximately HK\$276.8 million for the Period as compared with the same period of last year. This increase in turnover 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. As a result, the Group's turnover under Information Home Appliances (the "IHA") segment derived from the PRC and overseas markets for the Period increased remarkably by 82.4% and 115.4% respectively to approximately HK\$188.6 million and HK\$54.3 million as compared with the same period of last year. Meanwhile, the gross profit of the Group in the first half of 2011 increased by 80.4% to approximately HK\$43.4 million as compared with 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 by 38.7% to approximately HK\$2.4 million for the Period (six months ended 30th June 2010: approximately HK\$4.0 million).

Operating Expenses

With the significant increase of the Group's turnover in the first half of 2011, the Group's overall selling expenses also increased by 62.8% to approximately HK\$8.3 million for the Period as compared with the same period of last year. At the same time, general and administrative expenses slightly increased by 3.6% to approximately HK\$29.9 million as compared with the corresponding period in 2010.

Other Operating Expenses

Other operating expenses increased to approximately HK\$4.8 million for the Period (six months ended 30th June 2010: approximately HK\$2.1 million). The main reason was that the Group recorded realized and unrealized losses on certain financial assets totaling approximately HK\$4.0 million for the Period (six months ended 30th June 2010: approximately HK\$1.3 million).

Finance Costs

Finance costs of the Group increased to approximately HK\$2.0 million for the Period (six months ended 30th June 2010: approximately HK\$0.9 million). Such increase in finance costs was due to the increase in borrowings from banks to further expand and develop business of the Group during the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Operating Results *(Continued)*

Profit for the Period

Due to the significant increase in overall turnover of the Group, profit attributable to owners of the parent of approximately HK\$5.5 million and HK\$11.4 million was recorded respectively for the Period and the three months ended 30th June 2011, which represented a significant improvement over a net loss of approximately HK\$10.1 million and HK\$0.8 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 2011, the Group had net current assets of approximately HK\$126.6 million. The Group had cash and bank balances and pledged bank deposits of approximately HK\$73.1 million and HK\$8.0 million respectively. The Group's financial resources were funded mainly by its shareholders' funds, bank loans and mortgage loans. As at 30th June 2011, the Group's current ratio, as calculated by dividing current assets by current liabilities, was 1.5 times and the gearing ratio, as measured by total liabilities divided by total equity, was 7.7%. Hence, as at 30th June 2011, the overall financial and liquidity positions of the Group remained at a stable and healthy level.

Capital Structure

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

Significant Investments/Material Acquisitions or Disposals

The Group had no significant investment and no material acquisition or disposal for the six months ended 30th June 2011.

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 and the three months ended 30th June 2011 increased significantly by 79.4% and 101.1% respectively to approximately HK\$276.2 million and approximately HK\$152.4 million as compared with the corresponding periods of last year. During the period under review, the Group had continued to expand its market share by launching its various types of set-top boxes ("STB") into different provinces and municipalities through the largest telecom equipment and system provider in the PRC. Consequently, a new sales record of the IHA segment in the PRC was reached to approximately HK\$188.6 million for the Period, representing a surge of 82.4% as compared with 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 amounted to HK\$54.3 million, representing a significant increase of 115.4% as compared with the same period of last year. Especially, a new sales in Russia of approximately HK\$36.2 million was recorded for the Period. Meanwhile, with the improvement in marketing and selling activities of a Hong Kong customer, the turnover of the IHA segment in the Hong Kong market also increased significantly by 31.5% from the same period of last year to approximately HK\$33.3 million for the Period. At the same time, the gross profit of the IHA segment for the Period increased by 83.6% to approximately HK\$43.2 million as compared with the corresponding period in 2010. Consequently, the Group recorded a profit of approximately HK\$13.6 million on the IHA segment for the Period (six months ended 30th June 2010: approximately HK\$4.2 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\$3.8 million for the Period (six months ended 30th June 2010: approximately HK\$1.2 million). The main reason for this loss was that the Group recorded realized and unrealized losses on certain financial assets totaling approximately HK\$4.0 million for the Period (six months ended 30th June 2010: approximately HK\$1.3 million).

In respect of the Group's trading segment, because of the lack of new breakthrough in recent years, the Group recorded a break even in this segment for the Period (six months ended 30th June 2010: a profit of approximately HK\$0.5 million). As to the other operations segment of the Group, the result of this segment decreased by 13.7% to approximately HK\$0.8 million for the Period as compared with the same period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Segment Information *(Continued)*

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 79.8% to approximately HK\$189.2 million as compared with 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 Hong Kong markets also increased significantly by 31.5% to approximately HK\$33.3 million for the Period as compared with the same period of last year, while a new sales in Russia market of approximately HK\$36.2 million was recorded for the Period.

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 relatively stable for the Period and no hedging or other alternative measures have been implemented by the Group. As at 30th June 2011, the Group had no significant exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

Contingent Liabilities

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 Company 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) Company Limited ("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 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 Sanshui District, Foshan City, Guangdong Province (the "Court of Sanshui") 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 Sanshui made orders of (1) freezing the bank deposits of Mr. Zhang Hai and Foshan Zhixing totaling RMB10,100,000 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 RMB40,620,000 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 RMB46,000,000 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 Company Limited ("JI") from the Court of Sanshui. The Group has been notified in August 2009 that the Actions have been transferred from the Court of Sanshui to the Intermediate People's Court of Foshan, Guangdong Province (the "Intermediate Court of Foshan").

On 20th October 2009, the Group was notified by JI that the Intermediate Court of Foshan 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 (see note 7 to the condensed consolidated financial statements as set out in this report). According to the legal opinion dated 8th August 2011 from the Group's PRC lawyers, Golden Yuxing is entitled to receive the dividend from JI but the suspension of the dividend payment is still in force. As the above freezing order will expire on 6th September 2011, the dividend receivable from JI amounting to approximately HK\$36.8 million was classified as current asset as at 30th June 2011 (31st December 2010: approximately HK\$36.0 million was classified as current asset).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Contingent Liabilities *(Continued)*

On 11th January 2011, the Group received five civil judgments all dated 30th December 2010 from Intermediate Court of Foshan which ruled that JLB Group was awarded damages of total amount of approximately RMB96.2 million together with interests and costs to be borne by defendants including Mr. Zhang Hai, Beijing Yuxing Software Company Limited (“Yuxing Software”), Golden Yuxing, Foshan Zhixing and Shenzhen Sheng Bang. The Company filed an appeal to the Higher People’s Court of the Guangdong Province in the PRC (the “Guangdong Higher Court”) against the said judgements in January 2011, and now such judgements have no legal effect and which will be replaced by the final judgement from the appeal. On 28th July 2011, the Company received summons dated 21st July 2011 from the Guangdong Higher Court, requiring Golden Yuxing, Yuxing Software, Foshan Zhixing and Shenzhen Sheng Bang, all being wholly-owned subsidiaries of the Company, to attend the court hearing of the appeals. As at the date of this report, no judgement for the appeal has been received from the Guangdong Higher Court. In the circumstance, none of the wholly-owned subsidiaries of the Group which are named as defendants in the judgements stated above will be required to satisfy the judgements and pay the damages together with interests and costs awarded by the Intermediate Court of Foshan.

As at 30th June 2011, certain cash and bank balances of the Group with carrying value of approximately HK\$1.1 million (31st December 2010: approximately HK\$1.1 million) were frozen by the Intermediate Court of Foshan.

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. Therefore, no provision for damages and the related interests and costs is considered necessary.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Pending Litigation

In 2007, JLB Group lodged a petition with the Guangdong Higher Court to institute a civil action against Golden Yuxing as purchaser and Sanshui Jianlibao Health Industry Investment Company Limited (“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 stated 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 transfer 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 was awarded a judgment dated 23rd December 2008 from the Guangdong Higher Court which ruled that (1) the Acquisition and the registration of the transfer of the related equity interest in JI were legally valid; (2) the claim submitted by the JLB Group to invalidate the Acquisition was rejected; and (3) 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.

On 25th June 2009, Golden Yuxing was notified by the Supreme Court of the PRC (the “Supreme Court”) that an appeal had been lodged by the JLB Group, and which was accepted by the Supreme Court.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Pending Litigation *(Continued)*

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 from the Guangdong Higher Court which summoned Golden Yuxing to the court to respond to hearings scheduled on 25th June 2010. The Company then instructed its PRC lawyers to respond to the hearings. As at the date of this report, no judgement for the rehearing has been received from the Guangdong Higher Court. The Board has sought legal advice from its PRC lawyers and is still of the view that the claim submitted by JLB Group is based on invalid grounds. The Group has valid evidence which sufficiently ascertains its 36.66% ownership of the equity interest in JI and therefore no provision is considered necessary.

Human Resources

As at 30th June 2011, the Group had over 800 (30th June 2010: over 600) full time employees, of which 12 (30th June 2010: 12) were based in Hong Kong and the rest were in the PRC. Staff costs of the Group amounted to approximately HK\$30.0 million for the Period (six months ended 30th June 2010: approximately HK\$21.4 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW

During the period under review, the Group's IPTV STB business achieved rapid growth, with total turnover substantially increased by 79.4% to approximately HK\$276.2 million as compared with the same period of last year. The main reason for the increase was because of the rapid development of the global IPTV market, in particular rebound in the PRC market as well as accurate positioning of the Group's products which meet users' need. On the other hand, the Group's commitment on technology and quality improvement over the years has won the trust from its business partners and customers.

During the period under review, the PRC's STB market grew swiftly. The Group, through cooperation with major PRC telecom equipment and system providers, launched various types of STB in areas including Guangdong Province, Hubei Province, Sichuan Province, Shanxi Province, Liaoning Province, Shanghai and Chongqing Municipal etc.. As a result, the Group's PRC market share for the Period was expanded and achieved a new sales record of approximately HK\$188.6 million, increased by 82.4% as compared with the same period of last year.

The Group mainly sells STB products under its own brand in overseas markets. Major export countries include Russia, Australia, Spain and Belgium etc.. During the period under review, sales to overseas markets grew significantly by 115.4% to approximately HK\$54.3 million as compared with the same period of last year.

The Hong Kong market also achieved satisfactory growth during the period under review. The Group conducted marketing and selling activities with a Hong Kong customer to launch new high digital STB products to the market so as to provide more entertainment experience to end users. The Group's turnover from Hong Kong market increased by 31.5% to approximately HK\$33.3 million as compared with the same period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS PROSPECT

Being one of the world's leading IPTV terminal suppliers, the Group has a strong software and hardware research and development ("R&D") team of IPTV STB, which has been focusing on the IPTV and home broadband entertainment markets for ten years. Today, the IPTV market has entered the steady growth stage, in particular the huge PRC market is set to bring promising returns to the Group.

The Group has accumulated extensive experience and rich talent resources, whether in respect of product function design, core technology R&D, quality control and customer service. In addition to our presence in numerous locations in the PRC, the Group's products have also established a leading position in the more developed overseas markets. With continual market expansion in the future, the Group's IPTV STB business will have huge potential for further development.

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.

SHARE OPTION SCHEME (Continued)

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 2011
				At 1st January 2011	Exercised during the period	Granted during the period	Forfeited 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. 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	58,928,000	(56,000)	–	–	58,872,000
	4th September 2007	4th September 2007 – 17th May 2013	1.265	55,200,000	–	–	–	55,200,000
				<u>119,248,000</u>	<u>(56,000)</u>	<u>–</u>	<u>–</u>	<u>119,192,000</u>

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

As at 30th June 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 of 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, Directors were granted share options to subscribe for shares of the Company, details of which as at 30th June 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 30th June 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 30th June 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 30th June 2011, 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	38.06%
Dragon Treasure (<i>Note 2</i>)	Corporate	348,396,000	Trustee	20.09%

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 June 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.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed for the six months ended 30th June 2011.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had an interest in a business which competed or might compete with the business of the Group or had any other conflict of interest with the Group during the six months ended 30th June 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 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, which was of the opinion that the preparation of such results has complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

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 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 six months ended 30th June 2011.

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 (the "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 hereof, 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 Investment Holdings Limited
Zhu Wei Sha
Chairman

Hong Kong, 11th August 2011

* *For identification purposes only*

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.