



**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 2012



\* for identification purposes only



## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This report, for which the directors of Yuxing InfoTech 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 2012, turnover of the Group was approximately HK\$445.3 million and HK\$202.8 million respectively, representing a significant improvement of 60.8% and 32.8% respectively in comparison to the corresponding periods in 2011.
- For the six months and three months ended 30th June 2012, gross profit of the Group increased significantly by 32.7% and decreased slightly by 1.6% respectively to approximately HK\$57.6 million and HK\$27.3 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 2012 amounted to approximately HK\$13.3 million and HK\$13.7 million respectively, representing a significant improvement of 143.9% and 19.9% respectively in comparison to the corresponding periods of last year.
- Basic earnings per share for the six months and three months ended 30th June 2012 were HK0.77 cent and HK0.79 cent respectively.
- Total equity attributable to owners of the parent as at 30th June 2012 was approximately HK\$2,989.9 million or net assets per share of HK\$1.71.
- The Board does not recommend the payment of any interim dividend for the six months ended 30th June 2012.

## INTERIM RESULTS (UNAUDITED)

The board of Directors (the "Board") of the Company is pleased to announce the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the "Group") for the six months and three months ended 30th June 2012 together with the comparative unaudited figures for the corresponding periods in 2011, 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 2012

	Notes	For the six months ended 30th June		For the three months ended 30th June	
		2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Turnover	2	<b>445,263</b>	276,848	<b>202,801</b>	152,690
Cost of sales		<b>(387,682)</b>	(233,446)	<b>(175,452)</b>	(124,886)
Gross profit		<b>57,581</b>	43,402	<b>27,349</b>	27,804
Other revenue and net income		<b>6,115</b>	2,441	<b>4,165</b>	1,363
Distribution and selling expenses		<b>(10,662)</b>	(8,333)	<b>(5,288)</b>	(4,680)
General and administrative expenses		<b>(38,197)</b>	(29,935)	<b>(14,115)</b>	(14,024)
Other operating expenses		<b>(1,635)</b>	(4,849)	<b>(1,149)</b>	(2,347)
Fair value gain on investment properties		<b>5,330</b>	4,940	<b>5,330</b>	4,940
Profit from operations		<b>18,532</b>	7,666	<b>16,292</b>	13,056
Finance costs		<b>(3,934)</b>	(1,951)	<b>(2,305)</b>	(1,364)
Profit before taxation	3	<b>14,598</b>	5,715	<b>13,987</b>	11,692
Taxation	4	<b>(1,297)</b>	(262)	<b>(286)</b>	(262)
Profit attributable to owners of the parent		<b>13,301</b>	5,453	<b>13,701</b>	11,430
Earnings per share	5				
– Basic		<b>0.77 cent</b>	0.31 cent	<b>0.79 cent</b>	0.66 cent
– Diluted		<b>0.75 cent</b>	0.31 cent	<b>0.77 cent</b>	0.65 cent



## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months and three months ended 30th June 2012

	For the six months ended 30th June		For the three months ended 30th June	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Profit attributable to owners of the parent	<b>13,301</b>	5,453	<b>13,701</b>	11,430
Other comprehensive income/(loss):				
Change in fair value of available-for-sale financial assets	<b>690,061</b>	(247,286)	<b>574,972</b>	(5,566)
Share of other comprehensive income of a jointly controlled entity	<b>34,408</b>	–	<b>34,408</b>	–
Exchange differences arising on translation of PRC subsidiaries	<b>(12,339)</b>	74,129	<b>(12,652)</b>	41,960
Other comprehensive income/(loss) for the period	<b>712,130</b>	(173,157)	<b>596,728</b>	36,394
Total comprehensive income/(loss) attributable to owners of the parent	<b>725,431</b>	(167,704)	<b>610,429</b>	47,824



## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2012

		(Unaudited) As at 30th June 2012 HK\$'000	(Audited) As at 31st December 2011 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Investment properties		41,630	36,300
Property, plant and equipment	6	98,231	97,762
Prepaid lease payments		13,251	13,515
Interest in a jointly controlled entity	7	2,667,795	–
Available-for-sale financial assets	7	–	1,954,113
		<b>2,820,907</b>	2,101,690
<b>CURRENT ASSETS</b>			
Inventories		108,816	95,753
Trade and other receivables	8	155,829	208,886
Prepaid lease payments		380	382
Dividend receivable		71,946	72,345
Financial assets at fair value through profit or loss		13,640	12,421
Pledged bank deposits		29,396	13,607
Cash and bank balances		123,853	70,490
		<b>503,860</b>	473,884
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	198,927	206,920
Bank loans		135,354	105,978
Tax payable		572	1,002
		<b>334,853</b>	313,900
<b>NET CURRENT ASSETS</b>			
		<b>169,007</b>	159,984
<b>NET ASSETS</b>			
		<b>2,989,914</b>	2,261,674
<b>CAPITAL AND RESERVES</b>			
Share capital	11	43,614	43,378
Reserves		2,946,300	2,218,296
<b>TOTAL EQUITY</b>			
		<b>2,989,914</b>	2,261,674



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

For the six months ended 30th June 2012

	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 2012	43,378	37,003	20,190	234,621	30,336	1,103,488	686,287	106,371	2,261,674
<b>Loss for the period</b>	-	-	-	-	-	-	-	(400)	(400)
<b>Other comprehensive income:</b>									
Change in fair value of available-for-sale financial assets	-	-	-	-	-	115,089	-	-	115,089
Exchange differences arising on translation of PRC subsidiaries	-	-	-	-	-	-	313	-	313
<b>Total other comprehensive income</b>	-	-	-	-	-	115,089	313	-	115,402
<b>Total comprehensive income for the period</b>	-	-	-	-	-	115,089	313	(400)	115,002
<b>Transactions with owners:</b>									
Issue of shares under share option scheme	8	82	-	-	-	-	-	-	90
<b>Total transactions with owners</b>	8	82	-	-	-	-	-	-	90
At 31st March 2012	43,386	37,085	20,190	234,621	30,336	1,218,577	686,600	105,971	2,376,766
<b>Profit for the period</b>	-	-	-	-	-	-	-	13,701	13,701
<b>Other comprehensive income:</b>									
Change in fair value of available-for-sale financial assets	-	-	-	-	-	574,972	-	-	574,972
Share of other comprehensive income of a jointly controlled entity	-	-	-	-	-	34,408	-	-	34,408
Exchange differences arising on translation of PRC subsidiaries	-	-	-	-	-	-	(12,652)	-	(12,652)
<b>Total other comprehensive income</b>	-	-	-	-	-	609,380	(12,652)	-	596,728
<b>Total comprehensive income for the period</b>	-	-	-	-	-	609,380	(12,652)	13,701	610,429
<b>Transactions with owners:</b>									
Issue of shares under share option scheme	228	2,491	-	-	-	-	-	-	2,719
<b>Total transactions with owners</b>	228	2,491	-	-	-	-	-	-	2,719
<b>At 30th June 2012</b>	<b>43,614</b>	<b>39,576</b>	<b>20,190</b>	<b>234,621</b>	<b>30,336</b>	<b>1,827,957</b>	<b>673,948</b>	<b>119,672</b>	<b>2,989,914</b>

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

For the six months ended 30th June 2012

	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
<b>Loss for the period</b>	-	-	-	-	-	-	-	(5,977)	(5,977)
<b>Other comprehensive loss:</b>									
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
<b>Total other comprehensive loss</b>	-	-	-	-	-	(241,720)	32,169	-	(209,551)
<b>Total comprehensive loss for the period</b>	-	-	-	-	-	(241,720)	32,169	(5,977)	(215,528)
<b>Transactions with owners:</b>									
Issue of shares under share option scheme	-	2	-	-	-	-	-	-	2
<b>Total transactions with owners</b>	-	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
<b>Profit for the period</b>	-	-	-	-	-	-	-	11,430	11,430
<b>Other comprehensive income:</b>									
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
<b>Total other comprehensive income</b>	-	-	-	-	-	(5,566)	41,960	-	36,394
<b>Total comprehensive income for the period</b>	-	-	-	-	-	(5,566)	41,960	11,430	47,824
<b>Transactions with owners:</b>									
Issue of shares under share option scheme	1	13	-	-	-	-	-	-	14
<b>Total transactions with owners</b>	1	13	-	-	-	-	-	-	14





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

For the six months ended 30th June 2012

	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 2011	43,356	36,706	20,190	234,621	30,398	2,115,952	598,753	77,840	3,157,816
<b>Profit for the period</b>	-	-	-	-	-	-	-	28,531	28,531
<b>Other comprehensive loss:</b>									
Change in fair value of available-for-sale financial assets	-	-	-	-	-	(1,012,464)	-	-	(1,012,464)
Exchange differences arising on translation of PRC subsidiaries	-	-	-	-	-	-	87,534	-	87,534
<b>Total other comprehensive loss</b>	-	-	-	-	-	(1,012,464)	87,534	-	(924,930)
<b>Total comprehensive loss for the period</b>	-	-	-	-	-	(1,012,464)	87,534	28,531	(896,399)
<b>Transactions with owners:</b>									
Issue of shares under share option scheme	22	297	-	-	(62)	-	-	-	257
<b>Total transactions with owners</b>	22	297	-	-	(62)	-	-	-	257
At 31st December 2011	<u>43,378</u>	<u>37,003</u>	<u>20,190</u>	<u>234,621</u>	<u>30,336</u>	<u>1,103,488</u>	<u>686,287</u>	<u>106,371</u>	<u>2,261,674</u>



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30th June 2012

	For the six months ended 30th June	
	2012 HK\$'000	2011 HK\$'000
Net cash generated from/(used in) operating activities	<b>46,004</b>	(7,892)
Net cash used in investing activities	<b>(5,018)</b>	(3,564)
Net cash generated from financing activities	<b>28,762</b>	27,048
Net increase in cash and cash equivalents	<b>69,748</b>	15,592
Cash and cash equivalents as at 1st January	<b>84,097</b>	64,819
Effect of foreign exchange rate changes	<b>(596)</b>	735
Cash and cash equivalents as at 30th June	<b>153,249</b>	81,146
Analysis of balances of cash and cash equivalents:		
Pledged bank deposits	<b>29,396</b>	8,019
Cash and bank balances	<b>123,853</b>	73,127
	<b>153,249</b>	81,146



## 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 2012 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 2011. 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 2011. The adoption of the new/revised Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual HKFRSs, 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 HKFRSs 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 HKFRSs, 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 comprises investing in available-for-sale financial assets, trading of securities and interest in a jointly controlled entity which is principally engaged in investing in available-for-sale financial assets.

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, other revenue and net income, segment results and segment assets by business segments is as follows:

	For the six months ended 30th June 2012					Consolidated HK\$'000
	Information home appliances HK\$'000	Investing HK\$'000	Trading HK\$'000	Other operations HK\$'000	Elimination HK\$'000	
<b>TURNOVER</b>						
External sales	444,560	-	703	-	-	445,263
Inter-segment sales	-	-	6,084	-	(6,084)	-
<b>OTHER REVENUE AND NET INCOME</b>	<b>1,256</b>	<b>1,232</b>	<b>150</b>	<b>2,999</b>	<b>-</b>	<b>5,637</b>
Total	<u>445,816</u>	<u>1,232</u>	<u>6,937</u>	<u>2,999</u>	<u>(6,084)</u>	<u>450,900</u>
<b>RESULTS</b>						
Segment results	<u>21,188</u>	<u>915</u>	<u>499</u>	<u>1,146</u>	<u>-</u>	<u>23,748</u>
Unallocated corporate income						1
Interest income						477
Fair value gain on investment properties						5,330
Other unallocated corporate expenses						<u>(11,024)</u>
Profit from operations						<u>18,532</u>
Finance costs						<u>(3,934)</u>
Profit before taxation						14,598
Taxation						<u>(1,297)</u>
Profit for the period						<u><u>13,301</u></u>



## 2 Turnover and segment information (Continued)

### Business segments (Continued)

	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	
<b>TURNOVER</b>						
External sales	276,221	-	627	-	-	276,848
Inter-segment sales	-	-	6,340	-	(6,340)	-
<b>OTHER REVENUE AND NET INCOME</b>	<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>
<b>RESULTS</b>						
Segment results	<u>13,617</u>	<u>(3,847)</u>	<u>-</u>	<u>847</u>	<u>-</u>	10,617
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)

### Segment assets

The following table presents segment assets of the Group's business segments as at 30th June 2012 and 31st December 2011:

	Information home appliances HK\$'000	Investing HK\$'000	Trading HK\$'000	Other operations HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<b>Segment assets</b>						
At 30th June 2012	<u>484,510</u>	<u>2,754,046</u>	<u>7,225</u>	<u>59,259</u>	<u>19,727</u>	<u>3,324,767</u>
At 31st December 2011	<u>454,278</u>	<u>2,040,440</u>	<u>5,662</u>	<u>53,657</u>	<u>21,537</u>	<u>2,575,574</u>

### Geographical information

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

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

	Revenue from external customers	
	For the six months ended 30th June	
	2012	2011
	HK\$'000	HK\$'000
The PRC	<b>271,957</b>	189,227
Australia	<b>68,974</b>	6,058
Russia	<b>61,965</b>	36,208
Hong Kong	<b>20,681</b>	33,280
Other overseas markets	<b>21,686</b>	12,075
	<u><b>445,263</b></u>	<u>276,848</u>

In addition to the information disclosed above, the Group generated other revenue and net income from information home appliances segment of approximately HK\$1,256,000 (six months ended 30th June 2011: approximately HK\$272,000) and HK\$Nil (six months ended 30th June 2011: approximately HK\$18,000) in the PRC and Hong Kong respectively, and the Group generated other revenue and net income from investing segment of approximately HK\$7,000 (six months ended 30th June 2011: approximately HK\$16,000) and approximately HK\$1,225,000 (six months ended 30th June 2011: approximately HK\$173,000) in the PRC and Hong Kong respectively.



## 2 Turnover and segment information (Continued)

### Geographical information (Continued)

The Group also generated other revenue and net income from trading segment of approximately HK\$150,000 (six months ended 30th June 2011: approximately HK\$49,000) in the PRC, and the Group generated other revenue and net income from other operations segment of approximately HK\$2,303,000 (six months ended 30th June 2011: approximately HK\$943,000) and approximately HK\$696,000 (six months ended 30th June 2011: approximately HK\$600,000) in the PRC and Hong Kong respectively.

## 3 Profit before taxation

Profit 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	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
<b>Crediting:</b>				
Reversal of write-down of inventories	-	-	-	1,982
Net unrealised holding gains on financial assets at fair value through profit or loss	1,150	-	996	-
<b>Charging:</b>				
Net losses on disposal of financial assets at fair value through profit or loss	312	1,559	371	1,332
Net unrealised holding losses on financial assets at fair value through profit or loss	-	2,477	-	657
Impairment on inventories	233	1,765	1,003	-
Amortisation of prepaid lease payments	190	184	95	92
Depreciation of property, plant and equipment	4,150	3,645	2,092	1,827
Total depreciation and amortisation	4,340	3,829	2,187	1,919



#### 4 Taxation

The taxation charged to profit or loss represents:

	For the six months ended 30th June		For the three months ended 30th June	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
PRC enterprise income tax	<u>1,297</u>	<u>262</u>	<u>286</u>	<u>262</u>

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 2012 based on existing legislation, interpretations and practices in respect thereof.

No Hong Kong Profits Tax has been provided for the six months and three months ended 30th June 2012 and 2011 as the Group did not have any assessable profit from Hong Kong for both periods.

#### 5 Earnings per share

The calculation of the basic and diluted earnings 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	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit attributable to owners of the parent	<u>13,301</u>	<u>5,453</u>	<u>13,701</u>	<u>11,430</u>





## 5 Earnings per share (Continued)

	For the six months ended 30th June		For the three months ended 30th June	
	2012 '000	2011 '000	2012 '000	2011 '000
Issued ordinary shares at 1st January	<b>1,735,120</b>	1,734,200	–	–
Issued ordinary shares at 1st April	–	–	<b>1,735,424</b>	1,734,208
Effect of share options exercised	<b>2,878</b>	13	<b>5,382</b>	11
Weighted average number of ordinary shares for basic earnings per share	<b>1,737,998</b>	1,734,213	<b>1,740,806</b>	1,734,219
Effect of dilutive potential ordinary shares: Exercise of share options	<b>33,678</b>	28,105	<b>34,789</b>	19,824
Weighted average number of ordinary shares for diluted earnings per share	<b>1,771,676</b>	1,762,318	<b>1,775,595</b>	1,754,043
Earnings per share:				
– Basic	<b>0.77 cent</b>	0.31 cent	<b>0.79 cent</b>	0.66 cent
– Diluted*	<b>0.75 cent</b>	0.31 cent	<b>0.77 cent</b>	0.65 cent

\* The calculation of diluted earnings per share for the six months and three months ended 30th June 2012 is based on the profit attributable to owners of the parent of approximately HK\$13,301,000 and HK\$13,701,000 respectively (for the six months and three months ended 30th June 2011: 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 1,737,998,000 and 1,740,806,000 respectively (for the six months and three months ended 30th June 2011: approximately 1,734,213,000 and 1,734,219,000 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.

## 6 Property, plant and equipment

During the period, the Group expended approximately HK\$5,252,000 (six months ended 30th June 2011: approximately HK\$948,000) on the acquisition of equipment for the expansion of the Group's operations.



## 7 Interest in a jointly controlled entity/Available-for-sale financial assets

	<b>30th June 2012 HK\$'000</b>	31st December 2011 HK\$'000
Interest in a jointly controlled entity		
Share of net assets	<b><u>2,667,795</u></b>	<u>–</u>
Available-for-sale financial assets		
Unlisted equity securities in Gongbujiangda Jiangnan Industrial Development Company Limited ("JI"), at fair value	<b><u>–</u></b>	<b><u>1,954,113</u></b>

Details of the jointly controlled entity at the end of the reporting period are as follows:

Name of jointly controlled entity	Principal place of operation/ Place of incorporation	Class of share held	Proportion of nominal value of issued/registered capital held by the Company	Principal activity
JI	The PRC	Ordinary	36.66%	Investment in A shares of Ping An Insurance (Group) Company of China Limited ("Ping An Shares")

Summary of financial information of the jointly controlled entity is as follows:

	<b>30th June 2012 HK\$'000</b>	31st December 2011 HK\$'000
Share of the jointly controlled entity's assets and liabilities:		
Non-current assets	<b>2,660,670</b>	–
Current assets	<b>203,115</b>	–
Current liabilities	<b><u>(195,990)</u></b>	<u>–</u>
Net assets	<b><u>2,667,795</u></b>	<u>–</u>
Share of the jointly controlled entity's revenue and expenses:		
Revenue	–	–
Expenses	<b><u>–</u></b>	<u>–</u>

The above financial information is prepared using the same accounting policies as those adopted by the Group.



## 7 Interest in a jointly controlled entity/Available-for-sale financial assets (Continued)

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 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).

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.

The Intermediate People’s Court of Foshan, Guangdong Province, PRC (the “Intermediate Court of Foshan”) imposed two standby moratoriums on 24th October 2007 and 30th October 2007 respectively on the 4.6958% and 11.8371% equity interest in JI held by Golden Yuxing. However, the Directors were not aware of the background and reasons for these two standby moratoriums, as further detailed in the Company’s announcement on 6th November 2007. The Group was further notified by the Higher People’s Court of the Guangdong Province in the PRC (the “Guangdong Higher Court”) which handed down a judgement on 31st October 2011 ruling that the moratorium imposed on the above 16.5329% equity interest in JI would be extended to 3rd December 2012.

As at 31st December 2011, the Group recognised the 36.66% equity interest in JI as available-for-sale financial statements based on a bilateral agreement entered into between Golden Yuxing and another shareholder of JI (“JI Shareholder”) 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 JI Shareholder, including rights to profit sharing, share replacement rights, the rights to pledge shares and use them for guarantee, voting rights and methods for equity transfers in future, etc. According to the bilateral 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.



## 7 Interest in a jointly controlled entity/Available-for-sale financial assets (Continued)

Reference is made to the announcements of the Company dated 15th May 2012 and 29th June 2012, the JI Shareholder has agreed to transfer the 63.34% equity interest (the "JI Share Transfer") in JI to 林芝正大環球投資有限公司 ("New JI Shareholder"). In the meantime, Golden Yuxing entered into a bilateral agreement (the "Agreement") with the New JI Shareholder on 8th June 2012 for the purpose of governing their respective interest in Ping An Shares through their equity interest in JI. The Agreement became effective immediate upon completion of the relevant registration of JI Share Transfer on 14th June 2012. According to the Agreement, all significant matters of JI have to be approved by both shareholders. In the opinion of the Directors, both Golden Yuxing and the New JI Shareholder share joint control over the economic activities of JI and none of the participating parties has unilateral control over the economic activities. The Group's 36.66% equity interest in JI was therefore reclassified as interest in a jointly controlled entity.

As at the effective date of the Agreement on 14th June 2012 and immediately before the reclassification of the equity interest in JI from available-for-sale financial assets to interest in a jointly controlled entity, the equity interest in JI held by the Group was revalued by Vigers Appraisal & Consulting Limited ("Vigers") which are independent qualified professional valuers not connected with the Group and with appropriate qualifications to approximately RMB2,146,737,000 (equivalent to approximately HK\$2,633,387,000) (31st December 2011: approximately RMB1,584,200,000 (equivalent to approximately HK\$1,954,113,000)). The valuation was arrived at by reference to the PRC financial statements of JI as at the effective date of the Agreement and adjusted by the market value of 51,000,000 Ping An Shares as at the effective date of the Agreement. In determining the market value of Ping An Shares, the impact on the freezing order as detailed in sub-section headed "Contingent Liabilities" under Management Discussion and Analysis section has been taken into consideration by using the Discount For Lack Of Marketability Model. The Group recorded a revaluation surplus on the equity interests in JI of approximately RMB562,537,000 (equivalent to approximately HK\$690,061,000) (year ended 31st December 2011: revaluation deficit of approximately RMB1,021,278,000 (equivalent to approximately HK\$1,259,750,000)) during the period from 1st January 2012 to 14th June 2012. On 14th June 2012, the Group ceased to recognise the 36.66% equity interest in JI held by the Group as available-for-sale financial assets and the fair value of the Group's 36.66% equity interest in JI as at 14th June 2012 was recognised as interest in a jointly controlled entity, which was treated as deemed cost.



## 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:

	<b>30th June 2012 HK\$'000</b>	31st December 2011 HK\$'000
0 – 30 days	<b>48,300</b>	99,390
31 – 60 days	<b>62,009</b>	54,980
61 – 90 days	<b>16,574</b>	18,069
Over 90 days	<b>4,763</b>	3,163
	<b><u>131,646</u></b>	<u>175,602</u>

## 9 Trade and other payables

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

	<b>30th June 2012 HK\$'000</b>	31st December 2011 HK\$'000
0 – 30 days	<b>22,171</b>	64,839
31 – 60 days	<b>19,529</b>	48,134
61 – 90 days	<b>39,675</b>	27,618
Over 90 days	<b>64,346</b>	24,789
	<b><u>145,721</u></b>	<u>165,380</u>

## 10 Pledge of assets

At 30th June 2012, the Group had pledged the following assets to secure the banking facilities:

- (a) Investment properties of the Group with carrying value of HK\$41,630,000 (31st December 2011: HK\$36,300,000);
- (b) Prepaid lease payments, buildings and leasehold improvements of the Group with carrying values of approximately HK\$13,631,000 (31st December 2011: approximately HK\$13,897,000), approximately HK\$67,950,000 (31st December 2011: approximately HK\$69,746,000) and approximately HK\$316,000 (31st December 2011: approximately HK\$330,000);
- (c) The trade receivables from third parties of the Group with carrying value of approximately HK\$50,953,000 (31st December 2011: approximately HK\$45,885,000);
- (d) A leasehold property of the Group with carrying value of approximately HK\$2,683,000 (31st December 2011: approximately HK\$2,732,000); and
- (e) Bank deposit of the Group with carrying value of approximately HK\$29,396,000 (31st December 2011: approximately HK\$13,607,000).

## 11 Share Capital

	Number of shares		Amount	
	30th June 2012 '000	31st December 2011 '000	30th June 2012 HK\$'000	31st December 2011 HK\$'000
<b>Authorised:</b>				
At beginning and end of period/year				
Ordinary shares of HK\$0.025 each	<b>8,000,000</b>	8,000,000	<b>200,000</b>	200,000
<b>Issued and fully paid:</b>				
At beginning of period/year				
Ordinary shares of HK\$0.025 each	<b>1,735,120</b>	1,734,200	<b>43,378</b>	43,355
Exercise of share options	<b>9,442</b>	920	<b>236</b>	23
At end of period/year				
Ordinary shares of HK\$0.025 each	<b>1,744,562</b>	1,735,120	<b>43,614</b>	43,378



## RESERVES

Movements in the reserves of the Group for the six months ended 30th June 2012 (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 2011: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Turnover and Gross Profit

During the period under review, the Group’s business achieved remarkable performance, with the overall turnover and gross profit amounted to approximately HK\$445.3 million and HK\$57.6 million respectively for the Period, representing a substantial increase of 60.8% and 32.7% respectively as compared with the same period of last year. This increase was mainly attributable to the rapid growth of the global Internet Protocol Television (“IPTV”) market as well as the right positioning of the Group’s products, which had successfully captured demand of users. Meanwhile, the Group, with its established technology and premium customer service, has won long-lasting reliance and trust from its business partners and customers. 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 43.8% and 180.9% respectively to approximately HK\$271.3 million and HK\$152.6 million as compared with the same period of last year.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### FINANCIAL REVIEW *(Continued)*

#### Operating Results

##### *Other Revenue and Net Income*

Other revenue and net income increased by 150.5% to approximately HK\$6.1 million for the Period (six months ended 30th June 2011: approximately HK\$2.4 million). This was mainly due to the increase in the rental income of approximately HK\$1.5 million from leasing out properties of the Group for the Period as compared with the corresponding period of last year.

##### *Operating Expenses*

With the significant increase of the Group's turnover in the first half of 2012, the Group's overall selling expenses also increased by 27.9% to approximately HK\$10.7 million for the Period as compared with the same period of last year. At the same time, general and administrative expenses increased by 27.6% to approximately HK\$38.2 million for the Period as compared with the corresponding period in 2011.

##### *Other Operating Expenses*

Other operating expenses decreased to approximately HK\$1.6 million for the Period (six months ended 30th June 2011: approximately HK\$4.8 million). The main reason was that the Group recorded realized and unrealized losses on certain financial assets totaling approximately HK\$0.3 million for the Period (six months ended 30th June 2011: approximately HK\$4.0 million).

##### *Finance Costs*

Finance costs of the Group increased to approximately HK\$3.9 million for the Period (six months ended 30th June 2011: approximately HK\$2.0 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\$13.3 million and HK\$13.7 million was recorded respectively for the Period and the three months ended 30th June 2012, which represented a significant improvement of 143.9% and 19.9% respectively in comparison to the corresponding periods in 2011.

#### Liquidity, Charge on Group Assets and Financial Resources

As at 30th June 2012, the Group had net current assets of approximately HK\$169.0 million. The Group had cash and bank balances and pledged bank deposits of approximately HK\$123.9 million and HK\$29.4 million respectively. The Group's financial resources were funded mainly by short-term bank loans and mortgage loans totaling approximately HK\$135.4 million and its shareholders' funds. As at 30th June 2012, 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 11.2%. Hence, as at 30th June 2012, 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 2012.

## 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 2012 increased significantly by 60.9% and 32.9% respectively to approximately HK\$444.6 million and HK\$202.5 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 municipals through the largest telecom equipment and system provider in the PRC. Consequently, a new sales record of the IHA segment in the PRC reached to approximately HK\$271.3 million for the Period, representing a surge of 43.8% 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, the overall turnover of the IHA segment in overseas markets for the Period amounted to approximately HK\$152.6 million, representing a significant increase of 180.9% as compared with the same period of last year. Especially, a breaking sales record in Russia and Australia of approximately HK\$62.0 million and HK\$69.0 million respectively were recorded for the Period. However, due to the reduction in purchase orders from a Hong Kong customer, the turnover of the IHA segment in the Hong Kong market decreased by 37.9% from the same period of last year to approximately HK\$20.7 million for the Period. At the same time, the gross profit of the IHA segment for the Period increased by 32.4% to approximately HK\$57.2 million as compared with the corresponding period in 2011. Consequently, the Group recorded a profit of approximately HK\$21.2 million in the IHA segment for the Period (six months ended 30th June 2011: approximately HK\$13.6 million).

The Group's investing segment comprises investing in available-for-sale financial assets, trading of securities and interest in a jointly controlled entity which is principally engaged in investing in available-for-sale financial assets. This segment recorded a profit of approximately HK\$0.9 million for the Period (six months ended 30th June 2011: a loss of approximately HK\$3.8 million). The main reason for this profit was that the Group recorded net gain on certain financial assets of approximately HK\$0.8 million for the Period (six months ended 30th June 2011: net losses of approximately HK\$4.0 million).



## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### FINANCIAL REVIEW *(Continued)*

#### Segment Information *(Continued)*

In respect of the Group's trading segment, because of the lack of new breakthrough in recent years, the Group recorded a small profit of approximately HK\$0.5 million from this segment for the Period (six months ended 30th June 2011: HK\$Nil). As to the other operations segment of the Group, due to the increase in the rental income from leasing out properties of the Group, the result of this segment increased by 35.3% to approximately HK\$1.1 million for the Period as compared with the same period of last year.

Geographical markets of the Group were mainly located in the PRC during the period under review. The turnover for the Period generated from the PRC market increased significantly by 43.7% to approximately HK\$272.0 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 overseas markets also increased significantly by 180.9% to approximately HK\$152.6 million for the Period as compared with the same period of last year.

#### 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 2012, the Group had no significant exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### FINANCIAL REVIEW *(Continued)*

#### Contingent Liabilities

- (a) In December 2008, Guangdong Jianlibao Group Company Limited (“JLB Group”) initiated proceedings against (1) Mr. Zhang Hai, former chairman and chief executive officer of JLB Group, an independent third party of the 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 Beijing Golden Yuxing Electronics and Technology Company Limited (“Golden Yuxing”) for infringing the interest of JLB Group (collectively the “Actions”). Foshan Zhixing, Shenzhen Sheng Bang and Golden Yuxing are wholly-owned subsidiaries of the Group.

The People’s Court of Sanshui District, Foshan City, Guangdong Province, PRC (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 Gongbujiangda 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, PRC (the “Intermediate Court of Foshan”).



## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### FINANCIAL REVIEW *(Continued)*

#### Contingent Liabilities *(Continued)*

(a) *(Continued)*

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. In October 2011, the Group was further notified by JI that the freezing period would be extended to September 2012 (see note 7 to the consolidated financial statements as set out in this report). According to the legal opinion dated 9th August 2012 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 in September 2012, the dividend receivable from JI amounting to approximately HK\$71.9 million (31st December 2011: approximately HK\$72.3 million) was classified as current asset as at 30th June 2012.

On 11th January 2011, the Group received five civil judgments all dated 30th December 2010 from the Intermediate Court of Foshan which ruled that JLB Group has been awarded damages of total amount of approximately RMB96,200,000 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 superseded 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. The PRC lawyers of the Company attended the court hearing on 2nd August 2011. As at the date of this report, no judgement for the appeal has been received from the Guangdong Higher Court. In the circumstances, 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 2012, certain cash and bank balances of the Group with carrying value of approximately HK\$1.1 million (31st December 2011: approximately HK\$1.1 million) were frozen by the Intermediate Court of Foshan.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### FINANCIAL REVIEW *(Continued)*

#### Contingent Liabilities *(Continued)*

- (b) 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 (the “Litigation”).

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, JLB Group alleged that the aggregate investment cost exceeded 50% of Golden Yuxing’s net assets thereby violating Rule 12 of the Company Law then in force in the PRC. JLB Group therefore claimed that the share sale transaction was 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 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 JLB Group, and which was accepted by the Supreme Court.



## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### FINANCIAL REVIEW *(Continued)*

#### Contingent Liabilities *(Continued)*

(b) *(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.

No final award has been obtained for the Litigation after a number of hearings since the Supreme Court referred the Litigation on 20th November 2009 to the Guangdong Higher Court for retrial. In June 2012, the Group received a letter ((2008) Yue Gao Fa Min Er Chu Zi No. 9-1) made on 18th June 2012 from the Guangdong Higher Court to Golden Yuxing, which suggested a settlement for the Litigation between Golden Yuxing and JLB Group. The Board, having sought professional advice and after careful consideration, agreed that resolving the Litigation and all on-going Actions with JLB Group by way of court settlement may be the quickest method to settle all legal disputes as detailed in the above "Contingent Liabilities" to achieve a better outcome for the development of the Company and for the benefit of its shareholders. The Board has therefore authorized the Company's representatives and PRC lawyers to attend at the settlement negotiation (the "Negotiation") at the Guangdong Higher Court. However, no agreement has been reached by both parties under the Negotiation up to the date of this report. In the circumstances, the Board has difficulty in estimating the amount of the settlement for legal disputes. Therefore, no provision has been made to the amount of the settlement but only a disclosure of this event.

Even if there is any disagreement or suspension in relation to the Negotiation, based on legal advice sought from its PRC lawyers, the Board is still of the view that all legal disputes initiated by JLB Group as mentioned in (a) and (b) above are based on unsubstantiated and invalid grounds. In addition, the Group has valid evidence which sufficiently ascertains its 36.66% ownership of the equity interest in JI.



## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### FINANCIAL REVIEW *(Continued)*

#### Human Resources

As at 30th June 2012, the Group had over 900 (30th June 2011: over 800) full time employees, of which 11 (30th June 2011: 12) were based in Hong Kong and the rest were in the PRC. Staff costs of the Group amounted to approximately HK\$39.4 million for the Period (six months ended 30th June 2011: approximately HK\$30.0 million). This increase in staff costs was mainly due to the increase in number of employees and the increase in salary of employees during the period under review. All employees of the Company's subsidiaries are selected and promoted based on their suitability for the position offered. The salary and benefit levels of the Group's employees are in line with the market. Employees are rewarded on a performance-related basis within the general framework of the Group's remuneration system which is reviewed annually. In addition to the basic salaries, staff benefits also include medical scheme, various insurance schemes and share options scheme.

#### BUSINESS REVIEW

During the period under review, the Group's sales of IPTV STB business amounted to approximately HK\$444.6 million, representing a significant increase of 60.9% as compared with the same period of last year, setting a record high for this period in history, which was mainly attributable to the rapid growth of the IPTV market at home and abroad.

For the domestic market, the Group had launched, through cooperation with one of the largest PRC telecom equipment and system providers, various types of STB into areas including Guangdong Province, Hubei Province, Sichuan Province, Shanxi Province, Liaoning Province, Anhui Province, Shanghai and Chongqing Municipalities, etc. As the number of the PRC users continued to grow, the sales of STB had increased to a breaking record of approximately HK\$271.3 million for the Period, representing a significant increase of 43.8% as compared with the same period of last year.





## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### BUSINESS REVIEW *(Continued)*

In the overseas market, the Group's products provided quality entertainment experience to the end users not only in IPTV, but also in music and video. Meanwhile, the Group maintained good cooperation relationship with various existing telecom operators and system integration suppliers. The Group has managed to forward continuous shipments of its products to customers in Australia, Russia, Spain and Belgium, etc. and secured a stable market position in these markets. In addition, the Group's products had begun to expand into new market in Sweden. The Group's sales in overseas markets are on the rise, with its turnover amounting to approximately HK\$152.6 million for the Period, representing a significant increase of 180.9% as compared with the same period of last year.

As one of the leading suppliers of IPTV STB in Hong Kong, the Group still maintained a great cooperation with its telecom operator. However, due to the reduction in purchase orders from the Hong Kong customer during the period under review, the Group's sales in Hong Kong only reached approximately HK\$20.7 million, representing a decrease of 37.9% as compared with the same period of last year.

In relation to the litigation between JLB Group, SJHII, Golden Yuxing, one of the wholly-owned subsidiary of the Group, in respect of the 36.66% equity interest in JI, the Guangdong Higher Court has addressed a letter to Golden Yuxing and suggested the parties to reach a settlement for the Litigation between Golden Yuxing and JLB Group. The Board, having sought professional advice and after careful consideration, agreed that resolving the Litigation and all on-going Actions with JLB Group by way of court settlement may be the quickest method to settle all legal disputes to achieve a better outcome for the development of the Company and for the benefit of its shareholders. The Board has therefore authorized the Company's representatives and PRC lawyers to attend at the Negotiation at the Guangdong Higher Court. However, no agreement has been reached by both parties under the Negotiation up to the date of this report.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### BUSINESS REVIEW *(Continued)*

Besides, according to the Company's announcement dated 22nd October 2009, the Intermediate Court of Foshan 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 Company's announcement dated 27th October 2011, this freezing period was extended from September 2011 to September 2012. According to the legal opinion dated 9th August 2012 from the Group's PRC lawyers, Golden Yuxing is entitled to receive the dividends from JI but the suspension of the dividend payment is still in force.

### BUSINESS PROSPECT

The IPTV market has entered into a period of steady growth around the world, in particular in the PRC market, where the market has a rapid growth and huge potential. Being one of the pioneers engaging in the research and development of broadband STB, the Group has arrived at its harvest season after more than ten years of operation. Currently the Group is actively working with partners on development and validation of High Digital STB in order to get ready for the updating of products in some areas in the second half of the year.

As the Group's principal business, IPTV STB business has been undergoing a strong performance. Meanwhile, as market continues to expand, the Group proposes to invest more resources in it in a belief of receiving considerable return in the future.

### 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				As at 30th June 2012
				As at 1st January 2012	Exercised during the period	Granted during the period	Forfeited during the period	
<b>Directors</b>								
- Mr. Wang An Zhong	26th December 2006	26th December 2006 – 17th May 2013	0.2975	1,600,000	(800,000)	-	-	800,000
- 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
<b>Continuous contract employees</b>								
	26th December 2006	26th December 2006 – 17th May 2013	0.2975	58,008,000	(7,042,000)	-	-	50,966,000
	4th September 2007	4th September 2007 – 17th May 2013	1.265	55,200,000	-	-	-	55,200,000
				<u>118,328,000</u>	<u>(9,442,000)</u>	<u>-</u>	<u>-</u>	<u>108,886,000</u>

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

As at 30th June 2012, 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)	660,000,000	Interest of a controlled corporation	37.83%
	Personal	300,000	Beneficial owner	0.02%
Mr. Chen Fu Rong	Corporate (Note)	660,000,000	Interest of a controlled corporation	37.83%
Mr. Shi Guang Rong	Personal	25,560,000	Beneficial owner	1.47%
Mr. Wang An Zhong	Personal	5,936,756	Beneficial owner	0.34%
Mr. Zhong Peng Rong	Personal	1,600,000	Beneficial owner	0.09%
Mr. Wu Jia Jun	Personal	640,000	Beneficial owner	0.04%

Note: 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.



## 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 2012 were as follows:

Name of Director	Date of grant	Exercise price per share	Exercise price HK\$	Exercisable period	Number of share options				
					As at 1st January 2012	Exercised during the period	Granted during the period	Forfeited during the period	As at 30th June 2012
Mr. Wang An Zhong	26th December 2006	0.2975		26th December 2006 – 17th May 2013	1,600,000	(800,000)	-	-	800,000
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>(2,400,000)</u>	<u>-</u>	<u>-</u>	<u>2,720,000</u>

Save as disclosed above, none of the Directors or chief executive of the Company had, as at 30th June 2012, 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 2012, 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</i> )	Corporate	660,000,000	Beneficial owner	37.83%
Gold Swiss Holdings Limited	Corporate	100,000,000	Beneficial owner	5.73%

*Note:* 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.

Save as disclosed above, as at 30th June 2012, 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 2012.

## 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 2012.

## 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 2012.



## 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 2012.

## 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, 10th August 2012

*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.*