



**Yuxing InfoTech Holdings Limited**  
**裕興科技控股有限公司\***

(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

Stock Code: 8005

## First Quarterly Report 2008



\*for identification purposes only

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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 Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

## HIGHLIGHTS

For the three months ended 31st March 2008, turnover of the Group increased significantly by 68.3% to approximately HK\$39.2 million as compared to the corresponding period last year.

For the three months ended 31st March 2008, gross profit of the Group increased by 48.5% to approximately HK\$10.6 million as compared to the corresponding period last year.

Loss of the Group for the three months ended 31st March 2008 amounted to approximately HK\$18.7 million.

Basic loss per share for the three months ended 31st March 2008 was HK\$1.15 cents.

The Board of the Company does not recommend the payment of an interim dividend for the three months ended 31st March 2008.

### THREE-MONTH RESULTS (UNAUDITED)

The board of Directors (the "Board") of Yuxing InfoTech Holdings Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months ended 31st March 2008, together with the comparative unaudited figures for the corresponding period in 2007, prepared in accordance with generally accepted accounting principles in Hong Kong, as follows:

		<b>Three months ended</b>	
		<b>31st March</b>	
		<b>2008</b>	2007
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
Turnover	2	<b>39,199</b>	23,286
Cost of sales		<b>(28,595)</b>	(16,145)
Gross profit		<b>10,604</b>	7,141
Other revenue and net income		<b>1,214</b>	5,525
Distribution and selling expenses		<b>(1,842)</b>	(1,147)
General and administrative expenses		<b>(20,174)</b>	(13,554)
Other operating expenses		<b>(7,459)</b>	(1,858)
Loss from operations		<b>(17,657)</b>	(3,893)
Finance costs		<b>(871)</b>	(586)
Gain on disposal of subsidiaries		–	13,873
(Loss)/profit before taxation		<b>(18,528)</b>	9,394
Taxation	3	<b>(127)</b>	(61)
(Loss)/profit for the period	4	<b>(18,655)</b>	9,333
(Loss)/earning per share	4		
– Basic		<b>(1.15) cents</b>	0.58 cent
– Diluted		<b>(1.12) cents</b>	0.57 cent

Notes:

**1. Basis of preparation**

The unaudited consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December 2007. The accounts are unaudited but have been reviewed by the Company's audit committee.

**2. Turnover**

Turnover, which is stated net of value added tax where applicable, is recognised when goods are delivered and the related risks and rewards of ownership have passed.

The Group is principally engaged in the research and development, design, manufacturing, sales and distribution of audio-visual products, information home appliances and complementary products to the consumer market.

**3. Taxation**

The taxation charged to the income statement represents:

	<b>Three months ended</b>	
	<b>31st March</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
The People's Republic of China, other than Hong Kong and Macau (the "PRC") Enterprise Income Tax	<b>127</b>	61

No Hong Kong profits tax has been provided for the three months ended 31st March 2008 as the Group did not have any assessable profit in Hong Kong for the period (three months ended 31st March 2007: 17.5%).

PRC enterprise income tax has been provided at a range of 15% to 25% (2007: 15% to 33%) on the estimated assessable profit of the subsidiaries in the PRC. Pursuant to the relevant laws and regulations in the PRC, the Group's PRC subsidiaries are exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next consecutive three years, except for a PRC subsidiary which is exempted from PRC income tax for three years starting from the year it commenced business, followed by a 50% reduction on a tax rate of 18% (2007: 15%) for the next consecutive three years on the assessable income.

On 16th March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6th December 2007, the State Council of the PRC issued Implementation Regulations of the New Law (the "Implementation Regulations"). The New Law and Implementation Regulations will change the tax rate to 25% for certain Group's PRC subsidiaries from 1st January 2012 and 1st January 2013 respectively.

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

The calculation of the basic and diluted (loss)/earning per share to shareholders of the Company is based on the following data:

	<b>For the three months ended 31st March</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
(Loss)/profit for the period	<b>(18,655)</b>	9,333
	<b>For the three months ended 31st March</b>	
	<b>2008</b>	2007
	<b>'000</b>	'000
Issued ordinary shares at 1 January:		
– Ordinary shares of HK\$0.025 each	<b>1,621,132</b>	–
– Ordinary shares of HK\$0.1 each	–	400,000
– Subdivision of one share of HK\$0.1 each into four shares of HK\$0.025 each (Note (a))	–	1,200,000
Effect of share options exercised	<b>5,104</b>	–
Weighted average number of ordinary shares for basic (loss)/earning per share	<b>1,626,236</b>	1,600,000
Effect of dilutive potential ordinary shares		
Exercise of share options:		
– Ordinary shares of HK\$0.025 each	<b>33,198</b>	–
– Ordinary shares of HK\$0.1 each	–	11,493
– Subdivision of one share of HK\$0.1 each into four shares of HK\$0.025 each (Note (a))	–	34,481
Weighted average number of ordinary shares for dilutive (loss)/earning per share	<b>1,659,434</b>	1,645,974
(Loss)/earning per share:		
– Basic	<b>(1.15) cents</b>	0.58 cent
– Diluted	<b>(1.12) cents</b>	0.57 cent

Note:

- (a) On 22nd June 2007, an ordinary resolution was passed by the shareholders of the Company approving the subdivision (the "Share Subdivision") of each issued and unissued shares of HK\$0.1 each in the authorised share capital of the Company into four ordinary shares of HK\$0.025 each. The Share Subdivision became effective on 25th June 2007.

## RESERVES

There were no transfers to or from reserves of the Group during the three months ended 31st March 2008 and 2007.

## INTERIM DIVIDENDS

The Board of the Company does not recommend the payment of an interim dividend for the three months ended 31st March 2008 (three months ended 31st March 2007: Nil).

## FINANCIAL AND BUSINESS REVIEW

The turnover of the Group has increased significantly to approximately HK\$39.2 million for the first quarter of fiscal year 2008, representing an increase of 68.3% as compared to the same period of last year. This significant increase in the turnover was contributed by the Group's newly launched product – the high quality DTMB + IP dual mode set-top box. As a result, the gross profit of the Group in the first quarter of this fiscal year increased by 48.5% to approximately HK\$10.6 million as compared to the corresponding period of last year.

Although the Group recorded a significant increase in its overall turnover, the Group registered a loss of approximately HK\$18.7 million for the three months ended 31st March 2008 as compared a profit of approximately HK\$9.3 million for the same period of last year. This overall unsatisfactory performance for the period under review was due to the reasons set out below.

First of all, there was no gain on the disposal of subsidiaries recorded by the Group for the three months ended 31st March 2008. The Group recorded a one-time gain of approximately HK\$13.9 million on the disposal of its subsidiaries for the same period of last year, which was the major contribution to the Group's profit for the corresponding period in 2007. Secondly, the stock markets in the PRC and Hong Kong recorded poorer performance during the period under review. This caused the Group to record realized and unrealized losses on certain financial assets in its other operating expenses totaling approximately HK\$7.1 million for the three months ended 31st March 2008, when compared to the net off unrealized losses and realised gains on certain financial assets of approximately HK\$0.3 million for the same period last year. Finally, the general and administrative expenses increased by 48.8% to approximately HK\$20.2 million when compared to the corresponding period in 2007. This was mainly due to the increase in employee share option costs which were non-cash expenses of approximately HK\$1.4 million and the legal fee of approximately HK\$3.0 million for the litigation claimed by Guangdong Jianlibao Group Limited ("JLB Group") in respect of the alleged invalidity of the agreement entered into between Shanshui Jianlibao Health Industry Investment Co., Ltd. ("SJHII") and Golden Yuxing Electronics and Technology Company Limited ("Golden Yuxing") (a wholly-owned subsidiary of the Group) in August 2004 associated with the acquisition of the 10.435% equity interest of Shenzhen Jiangnan Industrial Development Co., Ltd. ("JI") during the period under review.

## FINANCIAL AND BUSINESS REVIEW *(continued)*

The Group's Information Appliances ("IA") division made a good start in the first quarter of the year. Following the passing of various supplier evaluation and product testing conducted by an international telecom operator in the previous year, the Group has become the set-top boxes supplier of Telefonica in Spain. The partnership is progressing well with product research and development ("R&D") completed and production commenced during the period under review. The first shipment had been delivered in the beginning of this second quarter. Meanwhile, in order to explore more overseas markets and to provide better and more convenient technical support services to our customers, the Group is setting up a customer service center (the "Center") dedicated for this business in Hong Kong. The Center is expected to commence operation in the mid of the second quarter. Preparation is also well underway for another customer service center to be launched in Europe.

In view of the development of Internet Protocol Television ("IPTV") set-top box market in the PRC, the Group has increased investment in the PRC market during the period under review. With its strong technology backup and excellent product performance, the Group has continued to explore new business frontier during the period under review and achieved a number of positive results. The Group has established cooperative relationship with domestic renowned operators and high net worth customers and secured certain option orders with shipments expected to be delivered in the second quarter of this year.

In terms of products, the Group became the first to launch the PRC compliance DTMB+IP dual mode set-top box, which was launched in Hong Kong in the first quarter of this year and was well received by the market.

## BUSINESS PROSPECT

The IA division, being one of the core businesses of the Group, continued to achieve remarkable results. In view of the strong momentum of the IPTV business and with enhanced technology capacity, the Group is confident in maintaining its leading position in the industry in the years to come. Our investment in the market as well as human resources during the past year will achieve positive results this year. However, the Group will keep moving forward and new business development plan scheduled for the second quarter of this year includes new products R&D activities and expansion of market share etc. In addition to providing excellent products and services to its existing and new customers, the Group will also increase investment in this business division, expand R&D capacity, set up overseas customer service center and reinforce the sales team, with an aim to meet increasing global demand and enhance its competitiveness.



## **BUSINESS PROSPECT** *(continued)*

The Group's another business – Original Equipment Manufacturing (“OEM”) division is progressing smoothly during the period under review with respect to its cooperation with Beijing Kaku Cartoon TV, the first dedicated cartoon channel in China. Through continuous enhancement of internal management, active consolidation of advanced technology resources from both within the country and abroad, introduction of new products, accumulation of technological know-how and development of new intelligent products, new customers are expected to be introduced to the Group and positive results will be achieved soon.

In terms of the Group's most valuable investments – indirectly-held investment in 51 million A shares of Ping An Insurance (Group) Company of China Limited (“Ping An Insurance”) is expected to continue to generate significant returns to the Group in the remaining quarters of this year. The senior management of the Group remains confident of the prospects of the long-term investment in Ping An Insurance.

The Group received a notice from the Higher People's Court of Guangdong Province on 18th February 2008, with which a writ of summons was attached, whereby JLB Group claimed that the agreement entered into between SJHII and Golden Yuxing in August 2004 for the acquisition of the 10.435% equity interests of JI was invalid. JLB Group also claimed against Golden Yuxing for compensation of all costs and expenses in relation to the case. The Board has sought advice from its PRC lawyers and is of the view that the claim is based on unsubstantiated and invalid grounds. The Group has appointed PRC lawyers to represent the Group in the litigation. The Directors firmly believe in the justice of the PRC laws and are fully confident of protecting the shareholders' legal interests. The Directors therefore believe that the outcome of the claim would not have a material adverse impact on the results of the Group.

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

As at 31st March 2008, 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 Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”), to be notified to the Company and the Stock Exchange were as follows:

### (1) Long positions in the shares of the Company

Name of Director	Nature of interests	Number of ordinary shares	Capacity	Percentage to the issued share capital of the Company
Mr. Zhu Wei Sha	Corporate (Note 1)	660,000,000	Interest of a controlled corporation	40.56%
Mr. Chen Fu Rong	Corporate (Note 1)	660,000,000	Interest of a controlled corporation	40.56%
Mr. Shi Guang Rong	Personal (Note 2)	25,400,000	Beneficial owner	1.56%
Mr. Wang An Zhong	Personal (Note 2)	5,136,756	Beneficial owner	0.32%

Notes:

- Messrs. Zhu Wei Sha and Chen Fu Rong held these shares through Super Dragon Co., Ltd. (“Super Dragon”), a company in which Messrs. Zhu Wei Sha and Chen Fu Rong held 63.6% and 36.4% of the entire issued share capital respectively.
- Dragon Treasure Ltd. (“Dragon Treasure”) is a nominee company and acts as the trustee for holding these shares in the Company on behalf of the past and present employees of the Group, including Messrs. Shi Guang Rong and Wang An Zhong.

## 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 31st March 2008 were as follows:

Name of Director	Date of grant	Exercise price per share HK\$	Exercisable period	Number of share options				At 31st March 2008
				At 1st January 2008	Exercised during the period	Granted during the period	Cancelled/ lapsed during the period	
Mr. Wang An Zhong	26th December 2006	0.2975	26th December 2006 – 17th May 2013	4,000,000	(2,400,000)	-	-	1,600,000
Mr. Shi Guang Rong	26th December 2006	0.2975	26th December 2006 – 17th May 2013	1,200,000	(600,000)	-	-	600,000
Mr. Wu Jia Jun	26th December 2006	0.2975	26th December 2006 – 17th May 2013	960,000	-	-	-	960,000
Mr. Zhong Peng Rong	26th December 2006	0.2975	26th December 2006 – 17th May 2013	1,600,000	-	-	-	1,600,000
Ms. Shen Yan	26th December 2006	0.2975	26th December 2006 – 17th May 2013	960,000	-	-	-	960,000

Save as disclosed above, none of the Directors or chief executive of the Company had, as at 31st March 2008, 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 Stock Exchange pursuant to the minimum standards for dealing by Directors as referred to in rule 5.46 to the GEM Listing Rules.

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far as is known to any Director or chief executive of the Company, as at 31st March 2008, 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 to the issued share capital of the Company
Super Dragon (Note 1)	Corporate	660,000,000	Beneficial owner	40.56%
Dragon Treasure (Note 2)	Corporate	320,000,000	Trustee	19.66%

Notes:

1. Super Dragon is beneficially owned by Mr. Zhu Wei Sha, as at 63.6%, and Mr. Chen Fu Rong, as to 36.4% respectively.
2. Dragon Treasure is a nominee company and acts as the trustee for holding these shares in the Company on behalf of the past and present employees of the Group, including Messrs. Shi Guang Rong and Wang An Zhong, whose interests in the shares and underlying shares of the Company are disclosed in the section "Interests and short positions of Directors and chief executive in the shares, underlying shares and debentures" above.

Save as disclosed above, as at 31st March 2008, the Company has 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 three months ended 31st March 2008.

## COMPETING INTERESTS

None of the Directors or the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has an interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group during the three months ended 31st March 2008.

## AUDIT COMMITTEE

The Company established an audit committee on 20th November 1999 with written terms of reference in compliance with the GEM Listing Rules.

The primary duties of the audit committee are to review and supervise the financial reporting process of the Group. It also reviews the effectiveness of both the external audit and of internal controls and risk evaluation. The audit committee comprises three independent non-executive Directors, namely Mr. Wu Jia Jun, Mr. Zhong Peng Rong and Ms. Shen Yan (chairman of audit committee).

The Group's unaudited results for the three months ended 31st March 2008 have been reviewed by the audit committee.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the three months ended 31st March 2008.

## COMPLIANCE ADVISER'S INTEREST

As at 31st March 2008, neither Anglo Chinese Corporate Finance, Limited (the "Compliance Adviser") nor any of their respective directors, employees or associates had any interests in the Company's share capital.

Pursuant to the agreement dated 17th May 2007 entered into between the Company and the Compliance Adviser, the Compliance Adviser will receive a fee for acting as the Compliance Adviser for the period from 22nd May 2007 to 21st May 2009.

## SECURITIES TRANSACTIONS BY THE DIRECTORS

Although the Company has not adopted any code of conduct regarding the Directors' securities transactions, it has made specific enquiry with all Directors and all Directors have confirmed that they have complied with all the required standard of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules during the three months ended 31st March 2008.

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

Hong Kong, 13th May 2008