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

(Incorporated in Bermuda with limited liability)

Stock Code: 8005

Interim 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 SIX-MONTH PERIOD

- For the six months and three months ended 30th June 2008, turnover of the Group was approximately HK$93.5 million and HK$54.3 million respectively, representing a significant improvement of 74.5% and 79.3% respectively in comparison to the corresponding periods in 2007.

- For the six months and three months ended 30th June 2008, gross profit of the Group increased by 43.0% and 38.4% respectively to approximately HK$22.3 million and HK$11.7 million as compared to the corresponding periods of last year.

- Profit attributable to shareholders of the Company for the six months and three months ended 30th June 2008 amounted to approximately HK$0.8 million and HK$19.4 million respectively, representing a decline of 95.7% and an increase of 126.5% respectively as compared to the corresponding periods of last year.

- Basic earnings per share for the six months and three months ended 30th June 2008 was HK0.05 cent and HK1.19 cents respectively.

- The Board of the Company does not recommend the payment of an interim dividend for the six months ended 30th June 2008.

INTERIM RESULTS (UNAUDITED)

The board of directors (the "Board") of Yuxing InfoTech Holdings Limited (the "Company") announces 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 2008 together with the comparative unaudited figures for the corresponding periods in 2007, which statements have been 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 2008

		For the six months ended 30th June		For the three months ended 30th June	
		2008	2007	**2008**	2007
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	2	**93,489**	53,572	**54,290**	30,286
Cost of sales		**(71,157)**	(37,957)	**(42,562)**	(21,812)
Gross profit		**22,332**	15,615	**11,728**	8,474
Other revenue and net income		**30,756**	19,391	**29,542**	13,866
Distribution and selling expenses		**(3,471)**	(2,315)	**(1,629)**	(1,168)
General and administrative expenses		**(38,135)**	(24,741)	**(17,961)**	(11,187)
Other operating expenses		**(8,770)**	(2,024)	**(1,311)**	(166)
Profit from operations		**2,712**	5,926	**20,369**	9,819
Finance costs		**(1,237)**	(1,585)	**(366)**	(999)
Gain on disposal of subsidiaries		**–**	13,873	**–**	–
Profit before taxation	3	**1,475**	18,214	**20,003**	8,820
Taxation	4	**(710)**	(307)	**(583)**	(246)
Profit attributable to shareholders		**765**	17,907	**19,420**	8,574
Earnings per share	5				
– Basic		**0.05 cent**	1.12 cents	**1.19 cents**	0.53 cent
– Diluted		**0.05 cent**	1.06 cents	**1.18 cents**	0.51 cent

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	(Unaudited) 30th June 2008 HK$'000	(Audited) 31st December 2007 HK$'000
NON-CURRENT ASSETS			
Investment properties		**29,600**	29,600
Property, plant and equipment	6	**119,077**	115,342
Prepaid lease payments		**13,693**	13,021
Intangible assets		**853**	–
Available-for-sale financial assets	7	**1,921,793**	3,954,047
		2,085,016	4,112,010
CURRENT ASSETS			
Inventories		**29,494**	22,916
Trade and other receivables	8	**64,410**	47,669
Prepaid lease payments		**352**	330
Financial assets at fair value through profit or loss		**11,699**	5,222
Cash and bank balances		**68,525**	90,960
		174,480	167,097
CURRENT LIABILITIES			
Trade and other payables	9	**46,055**	41,263
Bank loans		**14,630**	25,384
Tax payable		**770**	599
Provisions		**180**	1,113
		61,635	68,359
NET CURRENT ASSETS		**112,845**	98,738
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,197,861**	4,210,748
NON-CURRENT LIABILITIES			
Bank loans		**13,859**	14,445
NET ASSETS		**2,184,002**	4,196,303
CAPITAL AND RESERVES			
Share capital	11	**40,702**	40,528
Reserves		**2,143,300**	4,155,775
TOTAL EQUITY		**2,184,002**	4,196,303

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30th June 2008

	Attributable to equity holders of the Company										
	Share capital HK$'000	Share premium HK$'000	Statutory reserves HK$'000	Contributed surplus HK$'000	Investment revaluation reserves HK$'000	Share option reserves HK$'000	Translation reserves HK$'000	Retained profits/ (Accumulated loss) HK$'000	Total HK$'000	Minority interest HK$'000	Total equity HK$'000
At 1st January 2007	40,000	381,713	20,190	–	1,881,457	139	15,814	(34,490)	2,304,823	15,495	2,320,318
Realised on disposal of subsidiaries	–	–	–	–	–	–	–	–	–	(15,495)	(15,495)
Equity-settled share based payment	–	–	–	–	–	2,080	–	–	2,080	–	2,080
Exchange adjustments	–	–	–	–	–	–	33,015	–	33,015	–	33,015
Profit for the period	–	–	–	–	–	–	–	9,333	9,333	–	9,333
At 31st March 2007	40,000	381,713	20,190	–	1,881,457	2,219	48,829	(25,157)	2,349,251	–	2,349,251
Issue of shares under share option scheme	304	3,309	–	–	–	–	–	–	3,613	–	3,613
Equity-settled share based payment	–	–	–	–	–	2,111	–	–	2,111	–	2,111
Available-for-sale financial asset	–	–	–	–	918,237	–	–	–	918,237	–	918,237
Exchange adjustments	–	–	–	–	–	–	35,520	–	35,520	–	35,520
2006 final dividends paid	–	–	–	–	–	–	–	(20,151)	(20,151)	–	(20,151)
Profit for the period	–	–	–	–	–	–	–	8,574	8,574	–	8,574
At 30th June 2007	40,304	385,022	20,190	–	2,799,694	4,330	84,349	(36,734)	3,297,155	–	3,297,155
Issue of shares under share option scheme	224	4,246	–	–	–	(1,797)	–	–	2,673	–	2,673
Reduction of share premium to offset against accumulated losses and transfer to contributed surplus	–	(385,022)	–	234,621	–	–	–	150,401	–	–	–
Equity-settled share based payment	–	–	–	–	–	14,465	–	–	14,465	–	14,465
Available-for-sale financial asset	–	–	–	–	785,383	–	–	–	785,383	–	785,383
Exchange adjustments	–	–	–	–	–	–	92,021	–	92,021	–	92,021
Profit for the period	–	–	–	–	–	–	–	4,606	4,606	–	4,606
At 31st December 2007	40,528	4,246	20,190	234,621	3,585,077	16,998	176,370	118,273	4,196,303	–	4,196,303
Issue of shares under share option scheme	156	1,701	–	–	–	–	–	–	1,857	–	1,857
Equity-settled share based payment	–	–	–	–	–	3,496	–	–	3,496	–	3,496
Exchange adjustments	–	–	–	–	–	–	154,265	–	154,265	–	154,265
Loss for the period	–	–	–	–	–	–	–	(18,655)	(18,655)	–	(18,655)
At 31st March 2008	40,684	5,947	20,190	234,621	3,585,077	20,494	330,635	99,618	4,337,266	–	4,337,266
Issue of shares under share option scheme	18	196	–	–	–	–	–	–	214	–	214
Equity-settled share based payment	–	–	–	–	–	3,496	–	–	3,496	–	3,496
Available-for-sale financial asset	–	–	–	–	(2,289,501)	–	–	–	(2,289,501)	–	(2,289,501)
Exchange adjustments	–	–	–	–	–	–	113,107	–	113,107	–	113,107
Profit for the period	–	–	–	–	–	–	–	19,420	19,420	–	19,420
At 30th June 2008	**40,702**	**6,143**	**20,190**	**234,621**	**1,295,576**	**23,990**	**443,742**	**119,038**	**2,184,002**	**–**	**2,184,002**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30th June 2008

	For the six months ended 30th June	
	2008	2007
	HK$'000	*HK$'000*
Net cash used in operating activities	**(24,696)**	(15,212)
Net cash generated from investing activities	**11,589**	2,314
Net cash used in financing activities	**(12,100)**	(4,928)
Net decrease in cash and cash equivalents	**(25,207)**	(17,826)
Net cash and cash equivalents as at 1st January	**90,960**	94,144
Effect of foreign exchange rate changes	**2,772**	(9)
Cash and cash equivalents as at 30th June	**68,525**	76,309
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	**68,525**	76,309

NOTES TO THE ACCOUNTS

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 in the unaudited condensed consolidated interim financial statements 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 and segment information

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

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

Other operations of the Group mainly comprise selling miscellaneous products to business partners, none of which are of a sufficient size to be reported separately.

2 Turnover and segment information *(Continued)*

An analysis of the Group's turnover and operating results for the periods by business and geographical segments is as follows:

Business segments

	For the six months ended 30th June 2008				
	Information home appliances	Electronic components	Other operations	Elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER					
External sales	**83,856**	**1,247**	**8,386**	**–**	**93,489**
Inter-segment sales*	**91,139**	**34,111**	**1,467**	**(126,717)**	**–**
Total	**174,995**	**35,358**	**9,853**	**(126,717)**	**93,489**
RESULTS					
Segment results	**6,317**	**(1,606)**	**(3,348)**	**–**	**1,363**
Unallocated corporate income					**30,756**
Other unallocated corporate expenses					**(29,407)**
Profit from operations					**2,712**
Finance costs					**(1,237)**
Profit before taxation					**1,475**
Taxation					**(710)**
Profit for the period					**765**

* *Inter-segment sales were charged at terms determined and agreed between the Group companies.*

2 Turnover and segment information *(Continued)*

Business segments *(Continued)*

	For the six months ended 30th June 2007				
	Information home appliances	Electronic components	Other operations	Elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER					
External sales	43,652	2,290	7,630	–	53,572
Inter-segment sales*	52,170	13,055	–	(65,225)	–
Total	95,822	15,345	7,630	(65,225)	53,572
RESULTS					
Segment results	3,708	(1,574)	(177)	–	1,957
Unallocated corporate income					19,391
Other unallocated corporate expenses					(15,422)
Profit from operations					5,926
Finance costs					(1,585)
Gain on disposal of subsidiaries					13,873
Profit before taxation					18,214
Taxation					(307)
Profit for the period					17,907

* *Inter-segment sales were charged at terms determined and agreed between the Group companies.*

2 Turnover and segment information *(Continued)*

Geographical segments

	Turnover For the six months ended 30th June	
	2008	2007
	HK$'000	*HK$'000*
The People's Republic of China, other than Hong Kong and Macau (the "PRC")	**18,163**	11,018
Hong Kong	**58,367**	38,258
Other countries	**16,959**	4,296
	93,489	53,572

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	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Crediting:				
Net realised gains on disposal of financial assets at fair value through profit or loss	**–**	1,240	**–**	226
Net unrealised holding gains on financial assets at fair value through profit or loss	**–**	–	**4**	535
Charging:				
Net realised losses on disposal of financial assets at fair value through profit or loss	**6,256**	–	**1,307**	–
Net unrealised holding losses on financial assets at fair value through profit or loss	**2,137**	740	**–**	–
Amortisation of intangible assets	**276**	102	**276**	51
Amortisation of prepaid lease payments	**171**	156	**86**	78
Depreciation of property, plant and equipment	**4,458**	4,122	**2,230**	2,042
Total depreciation and amortisation	**4,905**	4,380	**2,592**	2,171

4 Taxation

The taxation charged to the income statement represents:

	For the six months ended 30th June		For the three months ended 30th June	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC Enterprise Income Tax	**710**	307	**583**	246

No Hong Kong profits tax has been provided for the six months and three months ended 30th June 2008 as the Group did not have any assessable profit for the periods (effective tax rate for the six months and three months ended 30th June 2007: 17.5%).

PRC enterprise income tax has been provided at a range of 15% to 25% for the six months and three months ended 30th June 2008 (the six months and three months ended 30th June 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 for the next consecutive three years on the assessable income. For the six months and three months ended 30th June 2008, a 50% reduction on a tax rate of 18% has been calculated for the assessable income (the six months and three months ended 30th June 2007: 15%).

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.

There has been no significant unprovided deferred taxation for the six months and three months ended 30th June 2008 (six months and three months ended 30th June 2007: Nil).

5 Earnings per share

The calculation of the basic and diluted earnings per share to shareholders of the Company is based on the following data:

	For the six months ended 30th June		For the three months ended 30th June	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Profit for the period	**765**	17,907	**19,420**	8,574

	For the six months ended 30th June		For the three months ended 30th June	
	2008	2007	**2008**	2007
	'000	*'000*	***'000***	*'000*
Issued ordinary shares at 1st January:				
– Ordinary shares of HK$0.025 each	**1,621,132**	–	**–**	–
– 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	**–**	–
Issued ordinary shares at 1st April:				
– Ordinary shares of HK$0.025 each	**–**	–	**1,627,372**	–
– 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	**5,829**	2,498	**313**	4,968
Weighted average number of ordinary shares for basic earnings per share	**1,626,961**	1,602,498	**1,627,685**	1,604,968
Effect of dilutive potential ordinary shares: Exercise of share options	**16,171**	76,480	**15,447**	74,010
Weighted average number of ordinary shares for dilutive earnings per share	**1,643,132**	1,678,978	**1,643,132**	1,678,978
Earnings per share:				
– Basic	**0.05 cent**	1.12 cents	**1.19 cents**	0.53 cent
– Diluted	**0.05 cent**	1.06 cents	**1.18 cents**	0.51 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.

6 Property, plant and equipment

During the period, the Group expended approximately HK$846,000 (six months ended 30th June 2007: approximately HK$801,000) on the acquisition of plant and equipment for the expansion of the Group's operations.

7 Available-for-sale financial assets

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 Shenzhen Jiangnan Industrial Development Co., Ltd ("JI"), a company which holds, among others, shares of Ping An Insurance (Group) Company of China Limited ("Ping An Shares") which were 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 Shanshui Jianlibao Health Industry Investment Co., Ltd ("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 interests 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.

The purpose of the Acquisition was to enable the Group to acquire a 10.435% economic benefits associated with the 51,000,000 Ping An Shares through a share management agreement entered into amongst Golden Yuxing, JI and other shareholders of JI at the time, specifically to enable the Group to receive its share of dividend attributable to the 51,000,000 Ping An Shares and to use such shares as security to support its own borrowings.

Subsequently in August 2004, the Group came to know about certain deficiencies in the above-mentioned share management agreement to give effect to the requirement of Golden Yuxing to acquire such economic benefits relating to the investment in the 51,000,000 Ping An Shares held by JI, which gives rise to uncertainties over enforceability of the agreement under PRC laws.

In April 2005, although no notification had been served on the Group by the PRC authority, the Directors were informed by JI that the Foshan Police Bureau had requested the Commodity Price Information Centre of Shenzhen Industrial and Commercial Administration Bureau ("SICAB") to refuse the transfer, pledge or sale of the 10.435% equity interest in JI held by Golden Yuxing. On 2nd November 2007, the Directors were informed by its PRC lawyers that the SICAB confirmed that the moratorium has been uplifted on 14th April 2006.

In 2006, Golden Yuxing further acquired 15.175% and 11.05% equity interest in JI for considerations of RMBNil and RMB1 respectively pursuant to a share capital reorganisation of JI and had since held a total of 36.66% equity interest in JI, representing an equivalent interest in 51,000,000 Ping An Shares. In the opinion of the Directors, Golden Yuxing has no significant influence over JI as the other 63.34% equity interest is controlled by another shareholder, who also manages all significant and day-to-day operations of JI.

7 Available-for-sale financial assets *(Continued)*

In 2006, 18,000,000 Ping An Shares of JI were pledged to a bank in the PRC for the banking facilities granted to Sheng Bang Qiang Dian Electronics (Zhongshan) Co., Ltd., an indirect wholly-owned subsidiary of the Company. The bank loan was fully repaid during the year 2007.

On 24th October 2007, a moratorium on the 36.66% equity interest in JI, and hence on its undertaking and all assets including the 51,000,000 Ping An Shares, currently held by Golden Yuxing was imposed by the People's Court of Beijing in relation to the repayment arrangement between Golden Yuxing and Sheng Bang Qiang Dian Electronics (Shenzhen) Co., Ltd., both of which are wholly-owned subsidiaries of the Company.

The Foshan Middle Court 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.

In December 2007, Guangdong Jianlibao Group Company Limited ("JLB Group") served a petition to the Higher People's Court of the Guangdong Province ("Guangdong Higher Court") to institute a civil action against Golden Yuxing as purchaser and SJHII as vendor, claiming, among other matters, that the sale by SJHII to Golden Yuxing in August 2004 of 10.435% equity interest in JI.

On 18th February 2008, Golden Yuxing received a notification from Guangdong Higher Court. 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 without JLB Group's approval or authorisation. In addition, the fact that the aggregate investment cost exceeded 50% of Golden Yuxing's net assets also violated Rule 12 of the Company Law then in force in the PRC. The share sale transaction was therefore invalid and SJHII did not have the right to pass the legal title of the JI shares to Golden Yuxing. JLB Group thereby demanded the reversion and return of the JI shares to SJHII.

On 26th May 2008, Golden Yuxing filed a counter claim with the Guangdong Higher Court against JLB Group in respect of the validity of the Acquisition. Under the counter claim, Golden Yuxing, amongst other things, claimed from JLB Group all damages caused by JLB Group and costs and expenses associated with JLB Group's claim and requested the Guangdong Higher Court to rule that the Acquisition and the registration of the related equity transfers between Golden Yuxing and JI are legally valid.

On 13th June 2008, Golden Yuxing received the notification from the Guangdong Higher Court acknowledging that the counter claim by Golden Yuxing will be heard by a full court (合議庭) of the Guangdong Higher Court.

7 Available-for-sale financial assets *(Continued)*

As at 30th June 2008, the 36.66% equity interest in JI held by the Group was revalued by Vigers Appraisal & Consulting Limited, an independent qualified professional valuer not connected with the Group, to approximately RMB1,689,640,000 (equivalent to approximately HK$1,921,793,000) (as at 31st December 2007: approximately RMB3,702,570,000 (equivalent to approximately HK$3,954,047,000)). The valuation was arrived at by reference to the unaudited management accounts of JI and adjusted by the market value of 51,000,000 Ping An Shares as at 30th June 2008. The Group recorded investment revaluation reserves on the interest in JI of approximately RMB1,472,640,000 (equivalent to approximately HK$1,295,576,000) as at 30th June 2008 (as at 31st December 2007: approximately RMB3,485,570,000 (equivalent to approximately HK$3,585,077,000)).

As at the date of this report, no judgement has been received from the court yet. The Directors have sought advice from its PRC lawyers in this respect and are of the view that the claim by the JLB Group is based on unsubstantiated and invalid grounds.

8 Trade and other receivables

The Group generally grants a normal credit period of 60 to 90 days to its trade customers. As at 30th June 2008, included in trade and other receivables were trade receivables less impairment on bad and doubtful debts of approximately HK$34,373,000 (31st December 2007: approximately HK$28,961,000). The ageing analysis of the trade receivables was as follows:

	30th June 2008	31st December 2007
	HK$'000	*HK$'000*
0 – 30 days	**19,657**	10,387
31 – 60 days	**6,314**	1,872
61 – 90 days	**3,036**	1,561
Over 90 days	**8,062**	17,724
	37,069	31,544
Less: impairment on bad and doubtful debts	**(2,696)**	(2,583)
	34,373	28,961

9 Trade and other payables

Included in trade and other payables were trade payables of approximately HK$29,789,000 (31st December 2007: approximately HK$23,501,000). As at 30th June 2008, the ageing analysis of the trade payables was as follows:

	30th June 2008 *HK$'000*	31st December 2007 *HK$'000*
0 – 30 days	**10,042**	7,012
31 – 60 days	**6,023**	2,393
61 – 90 days	**2,840**	1,261
Over 90 days	**10,884**	12,835
	29,789	23,501

10 Pledge of assets

As at 30th June 2008, the following assets were pledged to secure banking facilities granted to the Group:

(a) Investment properties of the Group with carrying value of HK$29,600,000 (31st December 2007: HK$29,600,000);

(b) Prepaid lease payments and building of the Group with carrying value of approximately HK$8,134,000 (31st December 2007: approximately HK$7,732,000) and approximately HK$53,866,000 (31st December 2007: approximately HK$51,480,000) respectively;

(c) Financial assets at fair value through profit or loss of the Group with carrying value of approximately HK$1,202,000 (31st December 2007: approximately HK$2,501,000).

11 Share capital

	Number of shares		Share capital	
	30th June	31st December	30th June	31st December
	2008	2007	2008	2007
	'000	*'000*	*HK$'000*	*HK$'000*
Authorised:				
At beginning of the period/year				
– Ordinary shares of HK$0.025 each	**8,000,000**	–	**200,000**	–
– Ordinary shares of HK$0.1 each	**–**	2,000,000	**–**	200,000
– Subdivision of one share of HK$0.1 each into four shares of HK$0.025 each *(note (a))*	**–**	6,000,000	**–**	–
At end of period/year				
Shares of HK$0.025 each	**8,000,000**	8,000,000	**200,000**	200,000
Issued and fully paid:				
At beginning of the period/year				
– Ordinary shares of HK$0.025 each	**1,621,132**	–	**40,528**	–
– Ordinary shares of HK$0.1 each	**–**	400,000	**–**	40,000
– Subdivision of one share of HK$0.1 each into four shares of HK$0.025 each *(note (a))*	**–**	1,200,000	**–**	–
Exercise of share options *(note (b))*	**6,960**	21,132	**174**	528
At end of period/year				
Shares of HK$0.025 each	**1,628,092**	1,621,132	**40,702**	40,528

Notes:

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

(b) For the period ended 30th June 2008, 6,960,000 shares were issued at HK$0.025 per share as a result of the exercise of share options of the Company.

RESERVES

Movements in the reserves of the Group during the period are set out in the unaudited condensed consolidated statement of changes in equity of the financial statements.

INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30th June 2008 (six months ended 30th June 2007: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover and Gross Profit

During the period under review, turnover of the Group has increased significantly to approximately HK$93.5 million for the six months ended 30th June 2008, representing an increase of 74.5% as compared to the same period of last year. This significant increase in the overall turnover was contributed by the Group's newly launched product, the DTMB + IP dual mode HD set-top box, and the expansion of the Group's Information Appliances ("IA") division into the European and PRC markets. As a result, the gross profit of the Group in the first half of 2008 increased by 43.0% to approximately HK$22.3 million as compared to the corresponding period of last year.

Operating Results

Other Revenue and Net Income

Other revenue and net income increased to approximately HK$30.8 million for the six months ended 30th June 2008 (six months ended 30th June 2007: approximately HK$19.4 million). This was mainly due to the dividend income of approximately HK$28.2 million received from the Group's indirect investments in 51 million shares of Ping An Insurance (Group) Company of China Limited ("Ping An Insurance") in the second quarter of this year (six months ended 30th June 2007: approximately HK$11.4 million).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Operating Results *(Continued)*

Operating Expenses

The Group expanded its IA division into the European and PRC markets and launched its new products to increase its overall turnover in the first half of 2008. As a result, the Group's overall selling expenses increased by 49.9% to approximately HK$3.5 million as compared to the same period of last year. Meanwhile, the general and administrative expenses also increased by 54.1% to approximately HK$38.1 million as compared with the corresponding period in 2007. The increase in operating expenses during the period under review, except for the above factors, was mainly due to the increase in employee share option costs which were non-cash expenses by approximately HK$2.8 million from the corresponding period of last year and the legal fee of approximately HK$5.8 million for the litigation claimed by Guangdong Jianlibao Group Company 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.

Other Operating Expenses

Other operating expenses increased to approximately HK$8.8 million for the six months ended 30th June 2008 (six months ended 30th June 2007: approximately HK$2.0 million). This was mainly due to the poorer performance of the stock markets in the PRC and Hong Kong in the first half of 2008. The Group therefore recorded realized and unrealized losses on certain financial assets totaling approximately HK$8.4 million during the period under review.

Finance Costs

As the Group has repaid certain of its bank borrowings during the period under review, finance costs decreased to approximately HK$1.2 million (six months ended 30th June 2007: approximately HK$1.6 million).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Operating Results *(Continued)*

Profit for the Period

Save as the factors disclosed above, 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 in the corresponding period in 2007. However, during the period under review, there was no gain on the disposal of subsidiaries recorded by the Group. As a result, although the Group had a significant improvement on its overall turnover, the Group recorded a small profit attributable to shareholders of the Company of approximately HK$0.8 million only for the six months ended 30th June 2008 (six months ended 30th June 2007: approximately HK$17.9 million).

Liquidity, Charge on Group Assets and Financial Resources

As at 30th June 2008, the Group had net current assets of approximately HK$112.8 million. The Group had cash and bank deposits totaling approximately HK$68.5 million. The Group's financial resources were funded mainly by its shareholders' funds except for certain bank loans and long-term mortgage loans totaling approximately HK$28.5 million. As at 30th June 2008, the Group's current ratio was 2.8 times and the gearing ratio, as measured by total liabilities over total assets, was 3.3%. Overall, the financial and liquidity positions of the Group remain at a stable and healthy level.

Capital Structure

The shares of the Company were listed on the GEM on 31st January 2000. The changes in the captal structure of the Company are set out in note 11 to the accounts.

Significant Investment/Material Acquisitions and Disposals

For the six months ended 30th June 2008, the Group had no significant investments, no material acquisitions or disposals.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW (Continued)

Segment Information

The Group's star business segment was the information home appliances. The total turnover of the IA division increased significantly by 92.1% to approximately HK$83.9 million as compared to the last corresponding period. This significant increase in the turnover was contributed by the Group's newly launched product – the DTMB+IP dual mode HD set-top box which was well received by the market during the period under review. Meanwhile, the successful expansion of IA division into European and PRC markets during the period under review also led to the significant improvement in the turnover of IA division.

Geographical markets of the Group were mainly located in Hong Kong during the period under review. The turnover generated from the Hong Kong market increased by 52.6% to approximately HK$58.4 million as compared to the corresponding period last year. This increase was mainly from the newly launched product in Hong Kong. At the same time, due to the expansion of the Group's IA business into European and the PRC markets during the period under review, the turnover generated from the overseas and the PRC markets also increased by 294.8% and 64.9% to approximately HK$17.0 million and HK$18.2 million respectively as compared to 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 rates for United States dollars, Hong Kong dollars and Renminbi have been stable for the period under review. No hedging or other alternative measures have been implemented by the Group. As at 30th June 2008, 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

As at 30th June 2008, there was a pending litigation in which a customer claimed against Sheng Bang Qiang Dian Electronics (Shenzhen) Co., Ltd (a wholly-owned subsidiary of the Group) in the People Court of Shenzhen Nanshan Region for approximately HK$3.3 million (equivalent to RMB3.0 million) for loss alleged to have been suffered from the dissatisfactory quality of products supplied by the subsidiary.

During the period under review, there was another pending litigation in which an independent third party claimed against Golden Yuxing and Zhong Shan Shi Yu Xing Lian Chuang Ruan Jian Co. Ltd (a company not connected with the Group) in the First Intermediary People's Court of Beijing for loss alleged to have suffered from investment cooperation disputes of approximately HK$2.4 million (equivalent to approximately RMB2.2 million).

As at the date to this report of the best estimation of the Directors, the outcomes of the above litigations and claims would not have a material adverse effect on the Group and no provision had been made in the consolidated financial statements.

Human Resources

As at 30th June 2008, the Group had over 600 (as at 30th June 2007: over 800) full time employees, of which 12 were based in Hong Kong and the rest were in the PRC. For the six months ended 30th June 2008, staff costs include Directors' emoluments amounted to approximately HK$20.2 million (six months ended 30th June 2007: approximately HK$13.6 million). This significant increase in staff costs during the period under review was mainly due to the non-cash expenses of approximately HK$7.0 million arising from the grant of share options by the Company to employees in previous financial years and the increase of the employees' remuneration. 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 include medical scheme, various insurance schemes and share options scheme.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW

The Group's core business, IA division, achieved satisfactory results in the first half of the year. As a result, the overall turnover of the Group increased significantly by 74.5% to approximately HK$93.5 million as compared to the same period of last year. Our partnership with Telefonica in Spain has been progressing well with the commencement of shipments in the second quarter of this year and good customer feedback. This caused the Group's turnover generated from European market to increase by 294.8% to approximately HK$17.0 million as compared to the same period of last year. In respect of other European markets, while continuing to penetrating and consolidate various resources, the Group has, in particular, strengthened its sales team, and has initiated liaison with some major telecom operators. Meanwhile, the Group is taking a proactive approach in setting up its branch sales offices in Europe.

The DTMB+IP dual-mode HD set-top box, which was in compliance with the PRC standard and was first developed and launched to the market by the Group in 2007, has been launched in Hong Kong in the first quarter of this year and received positive feedback. This newly launched products increased the Group's turnover in Hong Kong by 52.6% to approximately HK$58.4 million as compared to the corresponding period last year. The Group is now working with PCCW – HKT Telephone Limited to fully convert to HD set-top box. In order to provide efficient and professional technical support to our customers, the Group has set up a customer service center in Hong Kong which is ready to commence operation at any time.

In view of the gradual development of the Internet Protocol Television ("IPTV") set-top box market in the PRC, the Group has fostered concrete relationship with renowned domestic operators and big customers, where shipments have already commenced for some projects in the first half of 2008. The Group has also passed the selection test conducted by China Telecommunications Corporation for IPTV 2.0 compliance and became the first local product supplier of China Telecom for IPTV2.2 products. These products have been formally launched in some parts of the PRC and contributed approximately HK$8.4 million to the Group's turnover in the first half of 2008.

The Group's indirect investment in 51,000,000 A shares of Ping An Insurance has contributed significant gains to the Group in the second quarter of this year with dividend income of approximately HK$28.2 million (six months ended 30th June 2007: approximately HK$11.4 million).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW *(Continued)*

Although the Group recorded a significant increase in its overall turnover and received significant dividend income from its indirect investment in Ping An Insurance, the Group recorded a profit of only approximately HK$0.8 million for the six months ended 30th June 2008 as compared to a profit of approximately HK$17.9 million for the same period of last year. The less satisfactory overall performance for the period under review was due to the reasons set out below.

First of all, 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. However, there was no gain on the disposal of subsidiaries recorded by the Group for the six months ended 30th June 2008. Secondly, the stock markets in the PRC and Hong Kong recorded poorer performance during the period under review. The Group therefore recorded realized and unrealized losses on certain financial assets in its other operating expenses totaling approximately HK$8.4 million for the six months ended 30th June 2008, when compared to the net gains on certain financial assets of approximately HK$0.5 million for the same period of last year. Finally, the general and administrative expenses increased by 54.1% to approximately HK$38.1 million when compared to the corresponding period in 2007. This was mainly due to the increase in employee share options costs, which were non-cash expenses, by approximately HK$2.8 million as compared to the corresponding period of last year, and the legal fee of approximately HK$5.8 million for the litigation claimed by JLB Group during the period under review.

BUSINESS PROSPECT

The Group's core business, the IA division, is steadily growing after years of relentless efforts and is gradually fulfilling the targets set for each development stage. With the gradual transition of the global IPTV industry into the fast-growth track, together with the strong momentum of our IA division as well as the efforts that have been put in, we believe we are able to maintain our world leading position in the industry. On the market front, with continued penetration into the European market and the PRC market, the Group expects it will enter into more concrete relationship with more telecom operators or system integrators to break into new markets as well as to pave the way for developing new sales regions.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS PROSPECT *(Continued)*

In relation to the moratorium on the equity interest in JI held by Golden Yuxing, on 26th May 2008, Golden Yuxing filed a counter claim with the Higher People's Court of the Guangdong Province (the "Guangdong Higher Court") against JLB Group in respect of the validity of the 10.435% equity interest in JI acquired by Golden Yuxing from SJHII in August 2004 (the "Acquisition"). Under the counter claim, Golden Yuxing, amongst other things, claimed from JLB Group all damages caused by JLB Group and costs and expenses associated with JLB Group's claim and requested the Guangdong Higher Court to rule that the Acquisition and the registration of the related equity transfers between Golden Yuxing and JI are legally valid.

On 13th June 2008, Golden Yuxing received the notification from the Guangdong Higher Court acknowledging that the counter claim by Golden Yuxing will be heard by a full court（合議庭）of the Guangdong Higher Court.

In this respect, 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.

SHARE OPTION SCHEME

The Company's new share option scheme (the "Existing 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 Existing 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 Existing Scheme and movements during the period under review:

				Number of share options				
	Date of grant	Exercisable period	Exercise price *HK$*	At 1st January 2008	Exercised during the period	Granted during the period	Cancelled/ lapsed during the period	At 30th June 2008
Directors								
– Mr. Wang An Zhong	26th December 2006	26th December 2006 – 17th May 2013	0.2975	4,000,000	(2,400,000)	–	–	1,600,000
– Mr. Shi Guang Rong	26th December 2006	26th December 2006 – 17th May 2013	0.2975	1,200,000	(600,000)	–	–	600,000
– Mr. Wu Jia Jun	26th December 2006	26th December 2006 – 17th May 2013	0.2975	960,000	–	–	–	960,000
– Mr. Zhong Peng Rong	26th December 2006	26th December 2006 – 17th May 2013	0.2975	1,600,000	–	–	–	1,600,000
– Ms. Shen Yan	26th December 2006	26th December 2006 – 17th May 2013	0.2975	960,000	–	–	–	960,000
Continuous contract employees	26th December 2006	26th December 2006 – 17th May 2013	0.2975	72,812,000	(3,960,000)	–	(1,800,000)	67,052,000
	4th September 2007	4th September 2007 – 17th May 2013	1.265	55,200,000	–	–	–	55,200,000
				136,732,000	(6,960,000)	–	(1,800,000)	127,972,000

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

As at 30th June 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	40.54%
Mr. Chen Fu Rong	Corporate *(Note 1)*	660,000,000	Interest of a controlled corporation	40.54%
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:

1. 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.

2. 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 30th June 2008 were as follows:

Name of Director	Date of grant	Exercise price per share *HK$*	Exercisable period	Number of share options: At 1st January 2008	Exercised during the period	Granted during the period	Cancelled/ lapsed during the period	At 30th June 2008
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
				8,720,000	(3,000,000)	–	–	5,720,000

Save as disclosed above, none of the Directors or chief executive of the Company had, as at 30th June 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 30th June 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	40.54%
Dragon Treasure *(Note 2)*	Corporate	310,000,000	Trustee	19.04%

Notes:

1. Super Dragon is beneficially owned by Mr. Zhu Wei Sha, as at 63.6%, and Mr. Chen Fu Rong, as at 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 30th June 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 six months ended 30th June 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) had an interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group during the six months ended 30th June 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 six months ended 30th June 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 six months ended 30th June 2008.

COMPLIANCE ADVISER'S INTEREST

As at 30th June 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 six months ended 30th June 2008.

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 to 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 with reference to the principles, code provisions and recommended best practices set out in the Code on Corporate Governance Practices ("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 regulatory 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.

Subject to the deviations as disclosed hereof, the Company has 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 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.

CORPORATE GOVERNANCE PRACTICES *(Continued)*

(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 chairmen 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 business trip to overseas on the date of AGM.

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

Hong Kong, 12th August 2008

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.