



Yuxing InfoTech Holdings Limited

裕興科技控股有限公司*

(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

STOCK CODE: 8005

Third Quarterly Report 2009



*for identification purposes only

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

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

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

HIGHLIGHTS FOR THE NINE-MONTH PERIOD

- For the nine months and three months ended 30th September 2009, turnover of the Group was approximately HK\$117.8 million and HK\$69.1 million respectively, representing a decrease of 14.2% and increase of 57.6% respectively in comparison to the corresponding periods in 2008.
- For the nine months and three months ended 30th September 2009, gross profit of the Group decreased by 35.1% and increased by 13.0% respectively to approximately HK\$22.1 million and HK\$13.3 million as compared to the corresponding periods of last year.
- Loss attributable to equity holders of the Company for the nine months and three months ended 30th September 2009 amounted to approximately HK\$23.6 million and HK\$1.9 million respectively, while the Group recorded profit attributable to equity holders of the Company of approximately HK\$4.8 million and HK\$4.0 million respectively for the corresponding periods of last year.
- Basic loss per share for the nine months and three months ended 30th September 2009 was HK1.45 cents and HK0.11 cent respectively.
- The Board of the Company does not recommend the payment of an interim dividend for the nine months ended 30th September 2009.

NINE-MONTH RESULTS (UNAUDITED)

The board of directors (the "Board") of Yuxing InfoTech Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the nine months and three months ended 30th September 2009 together with the comparative unaudited figures for the corresponding periods in 2008, which statements have been prepared in accordance with generally accepted accounting principles in Hong Kong, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Notes	For the nine months ended 30th September		For the three months ended 30th September	
		2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Turnover	3	117,811	137,313	69,062	43,824
Cost of sales		(95,703)	(103,256)	(55,812)	(32,099)
Gross profit		22,108	34,057	13,250	11,725
Other revenue and net income		6,217	46,702	2,075	15,946
Distribution and selling expenses		(5,884)	(6,181)	(1,893)	(2,710)
General and administrative expenses		(45,280)	(56,717)	(14,890)	(18,582)
Other operating expenses		(967)	(11,386)	(139)	(2,616)
Fair value gain on investment properties		700	-	-	-
(Loss)/Profit from operations		(23,106)	6,475	(1,597)	3,763
Finance costs		(505)	(1,429)	(265)	(192)
(Loss)/Profit before taxation		(23,611)	5,046	(1,862)	3,571
Taxation	4	-	(288)	-	422
(Loss)/Profit attributable to equity holders of the Company		(23,611)	4,758	(1,862)	3,993
(Loss)/Earnings per share - Basic	5	(1.45) cents	0.29 cent	(0.11) cent	0.25 cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	For the nine months ended 30th September		For the three months ended 30th September	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss)/Profit attributable to equity holders of the Company	(23,611)	4,758	(1,862)	3,993
Other comprehensive income:				
Change in fair value of available-for-sale financial assets	948,899	(3,117,045)	(238,725)	(827,544)
Exchange differences arising on translation of PRC subsidiaries	3,584	282,414	1,440	15,042
Other comprehensive income attributable to equity holders of the Company	952,483	(2,834,631)	(237,285)	(812,502)
Total comprehensive income attributable to equity holders of the Company	928,872	(2,829,873)	(239,147)	(808,509)

Notes:

1. Basis of preparation

The Group's unaudited condensed consolidated financial statements for the nine months ended 30th September 2009 have been prepared in accordance with Hong Kong Accounting Standards ("HKAS") issued by Hong Kong Institute of Certified Public Accountants and the applicable disclosure provisions of the Rules Governing The Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited and the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The accounts are unaudited but have been reviewed by the Company's audit committee.

These unaudited financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31st December 2008.

2. Significant accounting policies

The accounting policies applied in preparing these financial statements are consistent with those applied in preparing the Group's financial statements for the year ended 31st December 2008, except for the impact of the adoption of the following:

HKAS 1: Revised Presentation of Financial Statements

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income which presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements: an income statement and a statement of comprehensive income. Its adoption has had no impact on the reported results or financial position of the Group.

Hong Kong Financial Reporting Standard 8: Operating Segments

This standard does not contain any additional disclosure requirements which is specifically applicable to the quarterly consolidated financial statements.

3. 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 manufacturing, sales and distribution of information home appliances, audio-visual products and complementary products to the consumer market.

4. Taxation

The taxation charged to the income statement represents:

	For the nine months ended 30th September		For the three months ended 30th September	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
PRC Enterprise Income Tax	-	(288)	-	422

No Hong Kong profits tax has been provided for the nine months and three months ended 30th September 2009 as the Group did not have any assessable profit arising in Hong Kong for the periods (nine months and three months ended 30th September 2008: Nil).

No PRC enterprise income tax has been provided as the PRC subsidiaries of the Group did not have any assessable profits for the nine months and three months ended 30th September 2009. The PRC enterprise income tax provision for the nine months and three months ended 30th September 2008 in respect of operations in the PRC is calculated at the applicable tax rates of 18% to 25% on the estimated assessable profits for the periods based on existing legislation, interpretations and practices in respect thereof.

5. (Loss)/Earnings per share

The calculation of the basic (loss)/earnings per share attributable to the equity holders of the Company is based on the following data:

	For the nine months ended 30th September		For the three months ended 30th September	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss)/Profit attributable to equity holders of the Company	<u>(23,611)</u>	<u>4,758</u>	<u>(1,862)</u>	<u>3,993</u>
	<u>'000</u>	<u>'000</u>	<u>'000</u>	<u>'000</u>
	Number of ordinary share			
Weighted average number of ordinary shares	<u>1,628,919</u>	<u>1,627,501</u>	<u>1,629,109</u>	<u>1,628,569</u>
(Loss)/Earnings per share: – Basic	<u>(1.45) cents</u>	<u>0.29 cent</u>	<u>(0.11) cent</u>	<u>0.25 cent</u>

No diluted loss per share for the nine months and three months ended 30th September 2009 have been shown because the potential ordinary shares were anti-dilutive and would decrease the loss per share for the periods.

No diluted earnings per share have been presented for the nine months and three months ended 30th September 2008 because the exercise prices of the Company's share options were higher than the average market prices of shares for the periods.

SHARE CAPITAL AND RESERVES

The movement of the share capital and reserves is set out below:

	Share capital HK\$'000	Share premium HK\$'000	Statutory reserves HK\$'000	Contributed surplus HK\$'000	Other comprehensive income			Retained profits/ (Accumulated losses) HK\$'000	Total equity HK\$'000
					Share option reserves HK\$'000	Investment revaluation reserves HK\$'000	Translation reserves HK\$'000		
At 1st January 2009	40,720	7,269	20,190	234,621	27,567	515,079	429,772	81,696	1,356,914
Total comprehensive income attributable to equity holders of the Company	-	-	-	-	-	948,899	3,584	(23,611)	928,872
Issue of shares under share option scheme	15	157	-	-	-	-	-	-	172
Equity-settled share-based payment	-	-	-	-	3,283	-	-	-	3,283
At 30th September 2009	40,735	7,426	20,190	234,621	30,850	1,463,978	433,356	58,085	2,289,241
At 1st January 2008	40,528	4,246	20,190	234,621	16,998	3,585,077	176,370	118,273	4,196,303
Total comprehensive income attributable to equity holders of the Company	-	-	-	-	-	(3,117,045)	282,414	4,758	(2,829,873)
Issue of shares under share option scheme	192	2,092	-	-	-	-	-	-	2,284
Equity-settled share-based payment	-	-	-	-	9,951	-	-	-	9,951
At 30th September 2008	40,720	6,338	20,190	234,621	26,949	468,032	458,784	123,031	1,378,665

DIVIDENDS

The Board of the Company does not recommend the payment of an interim dividend for the nine months ended 30th September 2009 (the “Period”) (for the nine months ended 30th September 2008: Nil).

FINANCIAL AND BUSINESS REVIEW

During the period under review, the Group’s core business, the Information Appliances (“IA”) division, was hit by the current global economic downturn. Although the turnover of the Group in the PRC market under IA division increased by 299.8% to approximately HK\$78.8 million for the Period as compared to the corresponding period in the previous year. However, one of our major customers in Hong Kong market decelerated its marketing activities, resulting in a significant decrease in our turnover in Hong Kong market under IA division to approximately HK\$14.1 million, representing a decrease of 82.0% as compared to the corresponding period in the previous year. As such, the Group’s overall turnover and gross profit for the Period decreased to approximately HK\$117.8 million and HK\$22.1 million, representing a decrease of 14.2% and 35.1% respectively, as compared to the corresponding period in the previous year.

Notwithstanding the significant decrease in the Group’s turnover in Hong Kong market during the Period, the Group set out to adjust its operating strategy at the beginning of this year by focusing on exploration of the PRC market and has achieved satisfactory results so far. Through maintaining stable cooperation relationships with the largest telecom equipment and system suppliers in the PRC, the Group has started making large shipment of its Internet Protocol Television (“IPTV”) to its customers in Guangdong Province and Shanghai. In addition, trial run for business in Hubei Province and Sichuan Province etc. has completed and is currently proceeding to the delivery stage. In order to further expand its revenue base, the Group has also entered into the cable set-top boxes market in the PRC at the beginning of this year. The “Standard-definition Digital Cable Set-top Box” developed by the Group has also successfully penetrated Shaoxing market in the PRC in the third quarter. As a result, the Group’s turnover in the PRC market under IA division for the Period increased significantly by 299.8% to approximately HK\$78.8 million as compared to the corresponding period in the previous year. This also led to a significant increase of the Group’s overall turnover for the third quarter of this year by 57.6% to approximately HK\$69.1 million as compared to the corresponding period in the previous year. However, as the products sold in the PRC market generated relatively lower gross profit margin, the overall gross profit of the Group for the Period decreased by 35.1% to approximately HK\$22.1 million as compared to the corresponding period in the previous year.

FINANCIAL AND BUSINESS REVIEW (Continued)

For the international market, the Group continued to maintain a stable relationship with Orca Interactive Ltd. and Viaccess. During the period under review, the Group successfully entered into cooperation agreement or memorandum with some world-renowned system integrators and telecom operators, with shipments already commenced for Czechoslovakia and the United States in the third quarter of this year. The Group is expected to maintain a steady momentum of growth in the international market.

During the period under review, the Group's general and administrative expenses decreased by 20.2% to approximately HK\$45.3 million as compared to the corresponding period in 2008. It was mainly due to the decrease in the employee share options costs (non-cash expenses) and the legal and professional fees by approximately HK\$6.7 million and HK\$1.2 million respectively, as compared to the corresponding period in the previous year. As for the decrease in the Group's other operating expenses to approximately HK\$1.0 million for the Period (for the nine months ended 30th September 2008: approximately HK\$11.4 million), it was mainly attributable to the satisfactory performance of the stock markets in the PRC and Hong Kong for the first three quarters of 2009 as compared to the corresponding period in the previous year. Therefore, during the period under review, the Group recorded net unrealised losses of approximately HK\$0.4 million in certain financial assets and net realised gains of approximately HK\$2.2 million in certain financial assets which was included in other revenue and net income, as compared to the net realised and unrealised losses of approximately HK\$10.7 million in certain financial assets for the corresponding period in the previous year.

Furthermore, the Group's other revenue and net income for the Period decreased significantly to approximately HK\$6.2 million as compared to the corresponding period in the previous year (for the nine months ended 30th September 2008: approximately HK\$46.7 million). This was mainly due to the fact that Ping An Insurance (Group) Company of China Limited ("Ping An Insurance"), in which the Group has an indirect investment in 51 million A shares, did not pay any final dividend to its shareholders for the year ended 31st December 2008 and accordingly the Group did not receive any dividend in 2009. In addition, the Intermediate People's Court of Foshan, Guangdong Province (廣東省佛山市中級人民法院) has issued a Notice of Enforcement to Shenzhen Jiangnan Industrial Development Co., Ltd ("JI") on 4th September 2009, ordering JI to assist in freezing the 36.66% equity interest held by Beijing Golden Yuxing Electronics and Technology Company Limited ("Golden Yuxing"), one of the wholly owned subsidiaries of the Company, in JI and the dividend entitlements of 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 (the "Order"). As a result of the Order, the Group had not been paid any dividend from JI in relation to the interim dividends arising from its indirect investment in 51 million Ping An Insurance A shares (for the nine months ended 30th September 2008: approximately HK\$39.9 million).

FINANCIAL AND BUSINESS REVIEW *(Continued)*

For the period under review as the Group's overall turnover decreased and it had not been paid any dividend in respect of its indirect investment in 51 million A shares of Ping An Insurance, the Group recorded a loss attributable to the equity holders of the Company of approximately HK\$23.6 million for the Period, as compared to the profit attributable to the equity holders of the Company of approximately HK\$4.8 million for corresponding period in the previous year.

As mentioned in the announcements dated 18th December 2008, 13th January 2009 and 11th August 2009, and the interim report of 2009 regarding the pending litigations between Guangdong Jianlibao Group Company Limited ("JLB Group"), Mr Zhang Hai, Foshan Zhixing Technology Co., Limited, Sheng Bang Qiang Dian Electronics (Shenzhen) Co., Ltd and Golden Yuxing, there is no further update as at the date of this report.

In addition, as stated in the Company's announcement dated 26th June 2009 and the interim report of 2009 in relation to the litigation between JLB Group, Sanshui Jianlibao Health Industry Investment Co., Ltd. and Golden Yuxing in respect of the 36.66% equity interest in JI, on 25th June 2009, Golden Yuxing was notified by the Highest Court of the People's Republic of China (中華人民共和國最高人民法院) (the "Highest Court") that an appeal has been lodged by the JLB Group, and which was accepted by the Highest Court. The appeal hearing has commenced on 9th July 2009. The Group has not received any judgement from the Highest Court as at the date of this report.

BUSINESS PROSPECTS

Since the second quarter of 2009, the IPTV market in the PRC has become a hotspot. Under the relevant state policies and fierce industry competition, the PRC IPTV industry is vigorously growing. Starting from the year 2008, the Group began to strengthen the development of the PRC market and has achieved satisfactory results. It is believed that the sales in the PRC will continue to bring more return to the Group in the future.

As for the Hong Kong market where was a significant drop in turnover for the first three quarters of the year, the Group is actively assisting its customer in Hong Kong in its research and development of new products and new functions in order to offer a greater variety of products to the market. The Group will continue to meet market demand through technology R&D and comprehensive customer services, so as to secure more stable and long-term development opportunities.

In respect of the international markets, while maintaining stable relationships with world-renowned system integrators and telecom operators, the number of our new partners is increasing. Therefore, the Group believes, with gradual recovery of the global economy, sales of the Group in the international markets will grow steadily. The Group also intends to open up markets such as Australia and Belgium etc. in the fourth quarter of 2009.

In terms of the Group's most valuable indirect investments in 51 million A shares of Ping An Insurance, the Group is confident that it will continue to generate satisfactory returns to the Group in the near future.

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

As at 30th September 2009, 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 Exchange were as follows:

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

Name of Director	Nature of interests	Number of ordinary shares	Capacity	Percentage of the total issued share capital of the Company
Mr. Zhu Wei Sha	Corporate (Note 1)	660,000,000	Interest of a controlled corporation	40.51%
	Personal (Note 2)	300,000	Beneficial owner	0.02%
Mr. Chen Fu Rong	Corporate (Note 1)	660,000,000	Interest of a controlled corporation	40.51%
	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. Both Mr. Zhu Wei Sha and Mr. Chen Fu Rong are directors of Super Dragon.
- Dragon Treasure Ltd. (“Dragon Treasure”) is a nominee company and acts as a trustee for holding the shares in the Company on behalf of the past and present employees of the Group, including Messrs. Shi Guang Rong, Wang An Zhong and Zhu Wei Sha.

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

(2) Long positions in the underlying shares of the Company

Pursuant to the share option scheme approved by the shareholders of the Company on 18th May 2003, the Directors in the capacity as beneficial owners were granted unlisted and physically settled share options to subscribe for shares of the Company, details of which as at 30th September 2009 were as follows:

Name of Director	Date of grant	Exercise price per share HK\$	Exercisable period	Number of share options				At 30th September 2009
				At 1st January 2009	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	1,600,000	–	–	–	1,600,000
Mr. Shi Guang Rong	26th December 2006	0.2975	26th December 2006 – 17th May 2013	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 30th September 2009, 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 September 2009, the following is a list of the substantial shareholders (other than Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in the ordinary shares of the Company

Name of shareholders	Nature of interests	Number of ordinary shares	Capacity	Percentage of the total issued share capital of the Company
Super Dragon (Note 1)	Corporate	660,000,000	Beneficial owner	40.51%
Dragon Treasure (Note 2)	Corporate	370,260,000	Trustee	22.72%

Notes:

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

Save as disclosed above, as at 30th September 2009, 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 nine months ended 30th September 2009.

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 for the nine months ended 30th September 2009.

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 the internal controls and risk evaluation. The audit committee comprises three independent non-executive Directors, namely Mr. Wu Jia Jun, Mr. Zhong Peng Rong and Ms. Shen Yan (chairman of audit committee).

The Group's unaudited consolidated results for the nine months ended 30th September 2009 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 for the nine months ended 30th September 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 for the nine months ended 30th September 2009.

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

Hong Kong, 11th November 2009

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