



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 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

HIGHLIGHTS FOR THE SIX-MONTH PERIOD

- For the six months and three months ended 30th June 2009, turnover of the Group was approximately HK\$48.7 million and HK\$25.8 million respectively, representing a decrease of 47.9% and 52.5% respectively in comparison to the corresponding periods in 2008.
- For the six months and three months ended 30th June 2009, gross profit of the Group decreased by 60.3% and 55.2% respectively to approximately HK\$8.9 million and HK\$5.3 million as compared to the corresponding periods of last year.
- Loss attributable to equity holders of the Company for the six months and three months ended 30th June 2009 amounted to approximately HK\$21.7 million and HK\$9.4 million respectively, while the Group recorded profit attributable to equity holders of approximately HK\$0.8 million and HK\$19.4 million respectively for the corresponding periods of last year.
- Basic loss per share for the six months and three months ended 30th June 2009 was HK1.34 cents and HK0.58 cent respectively.
- Total equity attributable to equity holders of the Company as at 30th June 2009 was approximately HK\$2,527.4 million or net assets per share of HK\$1.55.
- The Board of the Company does not recommend the payment of an interim dividend for the six months ended 30th June 2009.

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 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)

For the six months and three months ended 30th June 2009

	Notes	For the six months ended 30th June		For the three months ended 30th June	
		2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Turnover	3	48,749	93,489	25,799	54,290
Cost of sales		(39,891)	(71,157)	(20,546)	(42,562)
Gross profit		8,858	22,332	5,253	11,728
Other revenue and net income		4,142	30,756	2,639	29,542
Distribution and selling expenses		(3,991)	(3,471)	(1,876)	(1,629)
General and administrative expenses		(30,390)	(38,135)	(15,646)	(17,961)
Other operating expenses		(828)	(8,770)	(384)	(1,311)
Fair value gain on investment properties		700	–	700	–
(Loss)/Profit from operations		(21,509)	2,712	(9,314)	20,369
Finance costs		(240)	(1,237)	(123)	(366)
(Loss)/Profit before taxation	4	(21,749)	1,475	(9,437)	20,003
Taxation	5	–	(710)	–	(583)
(Loss)/Profit attributable to equity holders of the Company		(21,749)	765	(9,437)	19,420
(Loss)/Earnings per share	6				
– Basic		(1.34) cents	0.05 cent	(0.58) cent	1.19 cents
– Diluted		N/A	0.05 cent	N/A	1.18 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30th June 2009

	For the six months ended 30th June		For the three months ended 30th June	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
(Loss)/Profit attributable to equity holders of the Company	(21,749)	765	(9,437)	19,420
Other comprehensive income:				
Change in fair value of available-for-sale financial assets	1,187,624	(2,289,501)	577,045	(248,663)
Exchange differences arising on translation of PRC subsidiaries	2,144	267,372	1,622	113,106
Other comprehensive income attributable to equity holders of the Company	1,189,768	(2,022,129)	578,667	(135,557)
Total comprehensive income attributable to equity holders of the Company	1,168,019	(2,021,364)	569,230	(116,137)

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2009

		(Unaudited) 30th June 2009 HK\$'000	(Audited) 31st December 2008 HK\$'000
	Notes		
NON-CURRENT ASSETS			
Investment properties		25,000	24,300
Property, plant and equipment	7	105,256	108,917
Prepaid lease payments		13,307	13,476
Intangible assets		–	–
Available-for-sale financial assets	8	<u>2,316,539</u>	<u>1,128,403</u>
		2,460,102	1,275,096
CURRENT ASSETS			
Inventories		30,051	26,821
Trade and other receivables	9	67,308	55,184
Prepaid lease payments		351	351
Financial assets at fair value through profit or loss		5,559	4,901
Cash and bank balances		<u>45,338</u>	<u>59,478</u>
		148,607	146,735
CURRENT LIABILITIES			
Trade and other payables	10	45,809	50,533
Bank loans		22,666	1,015
Tax payable		<u>11</u>	<u>30</u>
		68,486	51,578
NET CURRENT ASSETS			
		<u>80,121</u>	<u>95,157</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		2,540,223	1,370,253
NON-CURRENT LIABILITIES			
Bank loans		<u>12,822</u>	<u>13,339</u>
NET ASSETS			
		<u>2,527,401</u>	<u>1,356,914</u>
CAPITAL AND RESERVES			
Share capital	12	40,725	40,720
Reserves		<u>2,486,676</u>	<u>1,316,194</u>
TOTAL EQUITY			
		<u>2,527,401</u>	<u>1,356,914</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30th June 2009

	Share capital HK\$'000	Share premium HK\$'000	Statutory reserves HK\$'000	Contributed surplus HK\$'000	Share option reserves HK\$'000	Other comprehensive income		Retained profit/ (Accumulated losses) HK\$'000	Total equity 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	-	-	-	-	-	610,579	522	(12,312)	598,789
Equity-settled share-based payment	-	-	-	-	1,201	-	-	-	1,201
At 31st March 2009	<u>40,720</u>	<u>7,269</u>	<u>20,190</u>	<u>234,621</u>	<u>28,768</u>	<u>1,125,658</u>	<u>430,294</u>	<u>69,384</u>	<u>1,956,904</u>
Total comprehensive income attributable to equity holders of the Company	-	-	-	-	-	577,045	1,622	(9,437)	569,230
Issue of shares under share option scheme	5	48	-	-	-	-	-	-	53
Equity-settled share-based payment	-	-	-	-	1,214	-	-	-	1,214
At 30th June 2009	<u>40,725</u>	<u>7,317</u>	<u>20,190</u>	<u>234,621</u>	<u>29,982</u>	<u>1,702,703</u>	<u>431,916</u>	<u>59,947</u>	<u>2,527,401</u>

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

For the six months ended 30th June 2009

	Share capital HK\$'000	Share premium HK\$'000	Statutory reserves HK\$'000	Contributed surplus HK\$'000	Share option reserves HK\$'000	Investment revaluation reserves HK\$'000	Other comprehensive income Translation reserves HK\$'000	Retained profit/ (Accumulated losses) HK\$'000	Total equity HK\$'000
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	-	-	-	-	-	(2,040,838)	154,266	(18,655)	(1,905,227)
Issue of shares under share option scheme	156	1,701	-	-	-	-	-	-	1,857
Equity-settled share- based payment	-	-	-	-	3,496	-	-	-	3,496
At 31st March 2008	<u>40,684</u>	<u>5,947</u>	<u>20,190</u>	<u>234,621</u>	<u>20,494</u>	<u>1,544,239</u>	<u>330,636</u>	<u>99,618</u>	<u>2,296,429</u>
Total comprehensive income attributable to equity holders of the Company	-	-	-	-	-	(248,663)	113,106	19,420	(116,137)
Issue of shares under share option scheme	18	196	-	-	-	-	-	-	214
Equity-settled share- based payment	-	-	-	-	3,496	-	-	-	3,496
At 30th June 2008	<u>40,702</u>	<u>6,143</u>	<u>20,190</u>	<u>234,621</u>	<u>23,990</u>	<u>1,295,576</u>	<u>443,742</u>	<u>119,038</u>	<u>2,184,002</u>
Total comprehensive income attributable to equity holders of the Company	-	-	-	-	-	(780,497)	(13,970)	(37,342)	(831,809)
Issue of shares under share option scheme	18	1,126	-	-	(931)	-	-	-	213
Equity-settled share- based payment	-	-	-	-	4,508	-	-	-	4,508
At 31st December 2008	<u>40,720</u>	<u>7,269</u>	<u>20,190</u>	<u>234,621</u>	<u>27,567</u>	<u>515,079</u>	<u>429,772</u>	<u>81,696</u>	<u>1,356,914</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30th June 2009

	For the six months ended 30th June	
	2009 HK\$'000	2008 HK\$'000
Net cash used in operating activities	(35,837)	(24,696)
Net cash generated from investing activities	734	11,589
Net cash generated from/(used in) financing activities	<u>20,946</u>	<u>(12,100)</u>
Net decrease in cash and cash equivalents	(14,157)	(25,207)
Cash and cash equivalents as at 1st January	59,478	90,960
Effect of foreign exchange rate changes	<u>17</u>	<u>2,772</u>
Cash and cash equivalents as at 30th June	<u>45,338</u>	<u>68,525</u>
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	<u>45,338</u>	<u>68,525</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of preparation

The unaudited interim condensed consolidated financial statements for the six months ended 30th June 2009 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants 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. The accounts are unaudited but have been reviewed by the Company’s audit committee.

These interim condensed 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 interim 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 Standards 8: Operating segments

This standard replaces HKAS 14: *Segment Reporting*. It requires segment information to be reported based on internal information used by the Group’s chief operating decision maker to evaluate the performance of operating segments and allocate resources to those segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments previously identified under HKAS 14. Adoption of this standard did not have any effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the business segments previously identified under HKAS 14. Additional disclosures about each of these segments are shown in note 3 to the condensed consolidated financial statements.

3 Turnover and segment information

For management purposes, the current major reportable operating segment of the Group is information home appliances.

The information home appliances segment is principally engaged in manufacture, sales and distribution of information appliances, audio-visual products and complementary products to the 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.

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

Operating segments

The following tables present turnover and (loss)/profit information regarding the Group's operating segments for the six months ended 30th June 2009 and 2008, respectively:

	For the six months ended 30th June 2009			
	Information home appliances HK\$'000	Other operations HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Turnover				
External sales	48,534	215	–	48,749
Inter-segment sales	–	539	(539)	–
Total	<u>48,534</u>	<u>754</u>	<u>(539)</u>	<u>48,749</u>
Result				
Segment result	<u>(7,960)</u>	<u>(1,988)</u>	<u>–</u>	(9,948)
Unallocated corporate income				2,697
Interest income				267
Fair value gain on investment properties				700
Other unallocated corporate expenses				(15,225)
Finance costs				<u>(240)</u>
Loss before taxation				(21,749)
Taxation				<u>–</u>
Loss for the period				<u>(21,749)</u>

3 **Turnover and segment information** (Continued)**Operating segments** (Continued)

	For the six months ended 30th June 2008			
Information	home	Other	Elimination	Consolidated
appliances	operations			
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
Turnover				
External sales	83,856	9,633	–	93,489
Inter-segment sales	–	35,578	(35,578)	–
	<u>83,856</u>	<u>45,211</u>	<u>(35,578)</u>	<u>93,489</u>
Total	83,856	45,211	(35,578)	93,489
Result				
Segment result	7,782	(4,954)	–	2,828
	<u>7,782</u>	<u>(4,954)</u>	<u>–</u>	<u>2,828</u>
Unallocated corporate income				29,002
Interest income				289
Other unallocated corporate expenses				(29,407)
Finance costs				<u>(1,237)</u>
Profit before taxation				1,475
Taxation				<u>(710)</u>
Profit for the period				<u>765</u>

3 Turnover and segment information (Continued)

Segment assets

The following table presents segment assets of the Group's operating segments as at 30th June 2009 and 31st December 2008:

	Information home appliances <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment assets At 30th June 2009	165,794	10,443	176,237
At 31st December 2008	179,454	11,233	190,687

Geographical segments

	Turnover For the six months ended 30th June	
	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
The People's Republic of China, other than Hong Kong and Macau (the "PRC")	26,011	18,163
Hong Kong	8,988	58,367
Other countries	13,750	16,959
	48,749	93,489

4 (Loss)/Profit before taxation

(Loss)/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	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Crediting:				
Net realised gains on disposal of financial assets at fair value through profit or loss	1,686	–	1,376	–
Net unrealised holding gains on financial assets at fair value through profit or loss	–	–	–	4
Reversal of write-down of inventories	–	185	446	179
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	310	2,137	268	–
Write-down of inventories	2,005	–	–	–
Amortisation of intangible assets	–	276	–	276
Amortisation of prepaid lease payments	175	171	87	86
Depreciation of property, plant and equipment	3,940	4,458	1,968	2,230
Total depreciation and amortisation	<u>4,115</u>	<u>4,905</u>	<u>2,055</u>	<u>2,592</u>

5 Taxation

The taxation charged to the income statement represents:

	For the six months ended 30th June		For the three months ended 30th June	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
PRC Enterprise Income Tax	—	710	—	583

No Hong Kong profits tax has been provided for the six months and three months ended 30th June 2009 as the Group did not have any assessable profit arising in Hong Kong for the periods (six months and three months ended 30th June 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 six months and three months ended 30th June 2009. The PRC enterprise income tax provision for the six months and three months ended 30th June 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.

6 (Loss)/Earnings per share

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

	For the six months ended 30th June		For the three months ended 30th June	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/Profit attributable to equity holders of the Company	<u>(21,749)</u>	<u>765</u>	<u>(9,437)</u>	<u>19,420</u>

6 **(Loss)/Earnings per share** (Continued)

	For the six months ended 30th June		For the three months ended 30th June	
	2009	2008	2009	2008
	'000	'000	'000	'000
Issued ordinary shares at 1st January	1,628,808	1,621,132	–	–
Issued ordinary shares at 1st April	–	–	1,628,808	1,627,372
Effect of share options exercised	<u>15</u>	<u>5,829</u>	<u>29</u>	<u>313</u>
Weighted average number of ordinary shares for basic (loss)/earnings per share	<u>1,628,823</u>	<u>1,626,961</u>	<u>1,628,837</u>	<u>1,627,685</u>
Effect of dilutive potential ordinary shares: Exercise of share options	<u>N/A</u>	<u>16,171</u>	<u>N/A</u>	<u>15,447</u>
Weighted average number of ordinary shares for diluted earnings per share	<u><u>N/A</u></u>	<u><u>1,643,132</u></u>	<u><u>N/A</u></u>	<u><u>1,643,132</u></u>
(Loss)/Earnings per share:				
– Basic	<u>(1.34) cents</u>	<u>0.05 cent</u>	<u>(0.58) cent</u>	<u>1.19 cents</u>
– Diluted*	<u><u>N/A</u></u>	<u><u>0.05 cent</u></u>	<u><u>N/A</u></u>	<u><u>1.18 cents</u></u>

* No diluted loss per share for the six months and three months ended 30th June 2009 has been shown because the potential ordinary shares were anti-dilutive and would decrease the loss per share for both periods.

7 **Property, plant and equipment**

During the period, the Group expended approximately HK\$384,000 (six months ended 30th June 2008: approximately HK\$846,000) on the acquisition of plant and equipment for the expansion of the Group's operations.

8 Available-for-sale financial assets

	30th June 2009 HK\$'000	31st December 2008 HK\$'000
Unlisted equity securities		
– Equity interest in JI (<i>Note</i>)	<u>2,316,539</u>	<u>1,128,403</u>

Note:

Pursuant to an agreement dated 10th August 2004 (the "Acquisition Agreement"), 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 was listed on the Shanghai Stock Exchange in the PRC on 1st March 2007, for a consideration of RMB217,000,000 (equivalent to approximately HK\$204,274,000) (the "Acquisition") from Sanshui Jianlibao Health Industry Investment 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 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 Company Law.

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 lifted on 14th April 2006.

8 Available-for-sale financial assets (Continued)

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

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

The Intermediate People's Court of Fo Shan, Guangdong Province imposed two standby moratoriums on 24th October 2007 and 30th October 2007 respectively on the 4.6958% and 11.8371% equity interest in JI held by Golden Yuxing. 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 in the PRC ("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% (which was subsequently increased to 36.66% pursuant to an adjustment of shareholders' equity interest in March and November 2006 respectively) equity interest in JI, a company whose principal assets were 479,117,788 Ping An Shares (subsequently reduced to 139,112,886 Ping An Shares as at 31st December 2007), was invalid.

On 18th February 2008, Golden Yuxing received a notification from Guangdong Higher Court in regard to JLB Group claiming 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, it was alleged that the aggregate investment cost exceeded 50% of Golden Yuxing's net assets which allegedly violated Rule 12 of the Company Law then in force in the PRC. It was alleged that the share sale transaction was therefore invalid and SJHII did not have the right to pass the legal title of the JI's shares to Golden Yuxing. JLB Group thereby demanded the reversion and return of the JI's shares to SJHII.

On 7th January 2009, the Group received a judgment dated 23rd December 2008 from the Guangdong Higher Court which ruled that the Acquisition Agreement and the registration of the transfer of the related equity interest in JI were legally valid and the claim submitted by the JLB Group to invalidate the Acquisition Agreement was rejected.

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

On 25th June 2009, Golden Yuxing was notified by the Highest People's 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 commenced on 9th July 2009. As at the date of this report, no judgement has been received by the Group from the Highest Court.

As at 30th June 2009, the equity interest in JI held by the Group was revalued by Vigers Appraisal & Consulting Limited, an independent qualified professional valuer not connected with the Group, to approximately RMB2,042,029,000 (equivalent to approximately HK\$2,316,539,000) (31st December 2008: approximately RMB995,138,000 (equivalent to approximately HK\$1,128,403,000)). The valuation was arrived at by reference to the PRC unaudited financial statements of JI as at 30th June 2009 and adjusted by the market value of 51,000,000 Ping An Shares as at 30th June 2009. The Group recorded a revaluation surplus on the interests in JI of approximately RMB1,046,891,000 (equivalent to approximately HK\$1,187,624,000) as at 30th June 2009 (31st December 2008: a revaluation deficit of approximately RMB2,707,431,000 (equivalent to approximately HK\$3,069,998,000)).

9 Trade and other receivables

The Group allows its trade customers with an average credit period of 30 to 90 days. The ageing analysis of trade and bills receivables at the balance sheet date is as follows:

	30th June 2009 HK\$'000	31st December 2008 HK\$'000
0 – 30 days	11,688	5,334
31 – 60 days	4,137	5,545
61 – 90 days	–	509
Over 90 days	8,434	25,457
	24,259	36,845
Less: impairment in respect of trade receivables	(4,765)	(5,058)
	19,494	31,787

10 Trade and other payables

As at the balance sheet date, the ageing analysis of the trade and bills payables was as follows:

	30th June 2009 HK\$'000	31st December 2008 HK\$'000
0 – 30 days	10,633	6,976
31 – 60 days	4,686	3,227
61 – 90 days	1,193	713
Over 90 days	10,458	9,557
	<u>26,970</u>	<u>20,473</u>

11 Pledge of assets

As at 30th June 2009, the following assets were pledged to secure banking facilities granted to the Group:

- (a) Investment properties of the Group with carrying value of HK\$25,000,000 (31st December 2008: HK\$24,300,000); and
- (b) Prepaid lease payments and buildings of the Group with carrying values of approximately HK\$7,910,000 (31st December 2008: approximately HK\$8,007,000) and approximately HK\$51,804,000 (31st December 2008: approximately HK\$52,741,000) respectively.

12 Share capital

	Number of shares		Share capital	
	30th June 2009 '000	31st December 2008 '000	30th June 2009 HK\$'000	31st December 2008 HK\$'000
Authorised:				
At beginning and end of period/year				
Ordinary shares of HK\$0.025 each	<u>8,000,000</u>	<u>8,000,000</u>	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:				
At beginning of period/year				
Ordinary shares of HK\$0.025 each	<u>1,628,808</u>	1,621,132	<u>40,720</u>	40,528
Issue of shares under share option scheme	<u>176</u>	<u>7,676</u>	<u>5</u>	<u>192</u>
At end of period/year				
Ordinary shares of HK\$0.025 each	<u>1,628,984</u>	<u>1,628,808</u>	<u>40,725</u>	<u>40,720</u>

RESERVES

Movements in the reserves of the Group for the six months ended 30th June 2009 (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 Period (2008: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover and Gross Profit

During the period under review, the Group's core business, information appliances division, was hit by the current global economic downturn. Although the turnover of information appliances division derived from the European and the PRC markets increased by 5.4% to approximately HK\$10.0 million and 207.5% to approximately HK\$25.8 million respectively for the Period as compared to the same period of last year, the marketing activities of a major customer under the information appliances division which was dominant in the Hong Kong market have been slowing down. As such, the turnover in Hong Kong had dropped drastically to approximately HK\$9.0 million for the Period, representing a decrease of 84.6% as compared to the same period of last year. As a result, the overall turnover and gross profit of the Group decreased to approximately HK\$48.7 million and approximately HK\$8.9 million respectively for the first half of 2009, representing a decrease of 47.9% and 60.3% respectively as compared to the same period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

FINANCIAL REVIEW (Continued)

Operating Results

Other Revenue and Net Income

Other revenue and net income decreased to approximately HK\$4.1 million for the Period (2008: approximately HK\$30.8 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 final dividend to its shareholders for the year ended 31st December 2008 and accordingly, the Group did not receive any dividend income from its indirect investment in 51,000,000 A shares of Ping An Insurance in the interim period ended 30th June 2009 (the Group received the dividend income from its indirect investment in 51,000,000 A shares of Ping An Insurance for the six months ended 30th June 2008: approximately HK\$28.2 million).

Operating Expenses

Affected by the global financial crisis and economic recession, the Group’s overall turnover decreased significantly in the first half of 2009. However, as the Group has enhanced the development in the European and the PRC markets, the Group’s overall distribution and selling expenses increased by 15.0% to approximately HK\$4.0 million as compared to the same period of last year. The general and administrative expenses decreased by 20.3% to approximately HK\$30.4 million for the Period as compared with the corresponding period in 2008. The decrease in general and administrative expenses during the period under review was mainly due to the decrease in employee share option costs which were non-cash expenses and the legal and professional fee by approximately HK\$4.6 million and approximately HK\$2.0 million respectively as compared to the corresponding period of last year.

Other Operating Expenses

Other operating expenses decreased to approximately HK\$0.8 million for the Period (2008: approximately HK\$8.8 million). This was mainly due to the better performance of the stock markets in the PRC and Hong Kong in the first half of 2009 as compared to the same period of last year. The Group therefore recorded net unrealised losses on certain financial assets of approximately HK\$0.3 million and net realised gain on certain financial assets included in other revenue and net income of approximately HK\$1.7 million during the period under review while net realised and unrealised losses on certain financial assets for the same period in last year of approximately HK\$8.4 million.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Operating Results *(Continued)*

Finance Costs

Finance costs of the Group decreased to approximately HK\$0.2 million for the Period (2008: approximately HK\$1.2 million). The reason for this decrease in finance costs was due to the lower mortgage interest rate offered by the bank during the period under review.

Loss for the Period

Due to the significant decrease in the overall turnover, the Group recorded a loss attributable to equity holders of the Company of approximately HK\$21.7 million for the Period. However, the Group recorded a profit attributable to equity holders of the Company of approximately HK\$0.8 million for the same period of last year. Except for the above mentioned factor, the main reason for this loss was that Ping An Insurance did not pay final dividend to its shareholders for the year ended 31st December 2008 and accordingly, the Group did not receive any dividend income from its indirect investment in 51,000,000 A shares of Ping An Insurance for the Period.

Liquidity, Charge on Group Assets and Financial Resources

As at 30th June 2009, the Group had net current assets of approximately HK\$80.1 million. The Group had cash and bank deposits totaling approximately HK\$45.3 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\$35.5 million. As at 30th June 2009, the Group's current ratio was 2.2 times and the gearing ratio, as measured by total liabilities over total equity, was 3.2%. Overall, the financial and liquidity positions of the Group remain at a stable and healthy level for the Period.

Capital Structure

The shares of the Company were listed on the GEM on 31st January 2000. The changes in the capital structure of the Company are set out in note 12 to the condensed consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Significant Investment/Material Acquisitions and Disposals

For the Period, the Group had no significant investments, material acquisitions or disposals.

Segment Information

The Group's star operating segment was the Information Home Appliances. Due to the global economic downturn, the marketing activities of a major customer under the information appliances division which was dominant in the Hong Kong market have been slowing down. As such, the turnover of the Group in the Hong Kong market plunged 84.6% from the corresponding period of last year to approximately HK\$9.0 million for the Period. Consequently, the overall turnover of the Group for the Period dropped by 47.9% compared with the corresponding period last year to approximately HK\$48.7 million.

During the period under review, although the turnover in the Hong Kong market dropped drastically as compared to the same period of last year, the Internet Protocol Television ("IPTV") business further expanded in the PRC market and the Group has been exploring regional markets actively since 2008, the Group's turnover in the PRC market increased by 43.2% to approximately HK\$26.0 million.

In addition, the Group has been aggressively strengthening its connections with the leading telecom operators in many parts of the world by getting involved in various tests and evaluations organized by them and establishing partnership with them. During the period under review, turnover of the Group in the European market amounted to approximately HK\$10.0 million, representing a slight increase of 5.4% over the corresponding period last year.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

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. During the period under review, the official rates for United States dollars, Hong Kong dollars and Renminbi had been stable. No hedging or other alternative measures had been implemented by the Group. As at 30th June 2009, the Group had no significant exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

Contingent Liabilities

- (a) In December 2007, there was a pending litigation in which a customer claimed against Sheng Bang Qiang Dian Electronics (Shenzhen) Co., Ltd (“Shenzhen Sheng Bang”), a wholly-owned subsidiary of the Group, in the People’s Court of Shenzhen Nanshan Region for approximately HK\$3.4 million (equivalent to RMB3.0 million) for loss alleged to have been suffered as a result of quality problems of products supplied by Shenzhen Sheng Bang. As at the date of this report, to the best estimation of the Directors, the outcome of this litigation and claim would not have a material adverse effect on the Group and no provision had been made in the consolidated financial statements.

- (b) In December 2008, Guangdong Jianlibao Group Company Limited (“JLB Group”) initiated proceedings against (1) Mr. Zhang Hai, former chairman and chief executive officer of JLB Group, and the controlling shareholders, actual controller, directors, supervisors, senior management of Foshan Zhixing Technology Co., Limited (“Foshan Zhixing”) for infringing the interest of JLB Group; (2) Mr. Zhang Hai and the controlling shareholders, actual controller, directors, supervisors, senior management of Shenzhen Sheng Bang for infringing the interest of JLB Group; and (3) Mr. Zhang Hai and the controlling shareholders, actual controller, directors, supervisors, senior management of Beijing Golden Yuxing Electronics and Technology Company Limited (“Golden Yuxing”) for infringing the interest of JLB Group (collectively the “Actions”). Foshan Zhixing, Shenzhen Sheng Bang and Golden Yuxing are wholly-owned subsidiaries of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Contingent Liabilities *(Continued)*

The People's Court of San Shui District, Foshan City, Guangdong Province (the "Court of San Shui") issued judgments ((2009) San Fa Min Er Chu Zi No. 38-1), ((2009) San Fa Min Er Chu Zi No. 39-1) and ((2009) San Fa Min Er Chu Zi No. 40-1) and summons dated 9th December 2008, which stated that, on application by the JLB Group, the Court of San Shui made orders of (1) freezing the bank deposits of Mr. Zhang Hai and Foshan Zhixing total amounting to RMB10,100,000 or sealing up and distraining its assets of such equivalent amount; (2) freezing the bank deposits of Mr. Zhang Hai and Shenzhen Sheng Bang total amounting to RMB40,620,000 or sealing up and distraining its assets of such equivalent amount; and (3) freezing the bank deposits of Mr. Zhang Hai and Golden Yuxing total amounting up to RMB46,000,000 or sealing up and distraining its assets of an equivalent amount, together with a standby moratorium dated 13th January 2009 referring to Golden Yuxing's 36.66% equity interest in Shenzhen Jiangnan Industrial Development Co., Ltd. ("JI") from the Court of San Shui.

As at 30th June 2009, certain cash and bank balances of the Group with carrying value of approximately HK\$1.0 million (equivalent to approximately RMB0.9 million) were frozen by the Court of San Shui.

The Company has recently been notified that the Actions have been transferred from the Court of San Shui to the Intermediate People's Court of Fo Shan, Guangdong Province (the "Intermediate Court of Fo Shan"). The Company was also notified that Golden Yuxing, Foshan Zhixing and Shenzhen Sheng Bang had received summons and notices from Intermediate Court of Fo Shan regarding the scheduling of the trial date on 16th October 2009 and Mr. Zhu Wei Sha ("Mr. Zhu") becoming one of the defendants of the Actions.

The Company has made enquiries with Mr. Zhu regarding the above proceedings against him. Mr. Zhu has confirmed to the Board that he is currently in overseas, and therefore he has not received any notice or summon issued from any PRC courts. The Company will monitor closely the matter and will make further announcement(s) to update the shareholders of the status regarding the above proceedings as and when appropriate.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Contingent Liabilities *(Continued)*

The Board has also sought legal advice from its PRC lawyers. Pursuant to the PRC legal opinion dated 10th August 2009, the PRC lawyers of the Company have advised the Company that their legal opinions remain the same and the Actions are based on unsubstantiated and invalid grounds.

The Directors do not believe the Actions will have any significant impact on the financial position of the Group and no provision is considered necessary.

- (c) In addition, as stated in the Company's announcement dated 26th June 2009 in relation to the litigation between JLB Group, Sanshui Jianlibao Health Industry Investment Co., Ltd. and Golden Yuxing in respect of the 10.435% equity interest in Ji, on 25th June 2009, Golden Yuxing was notified by the Highest People's 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 commenced on 9th July 2009. The Group has not received any judgement from the Highest Court as at the date of this report. The Directors have sought legal advice from its PRC lawyers and are of the view that the appeal is based on invalid grounds. The Directors believe the appeal will not have any significant impact on the financial position of the Group and no provision is considered necessary.

Human Resources

As at 30th June 2009, the Group had over 500 (as at 30th June 2008: over 600) full time employees, of which 12 were based in Hong Kong and the rest were in the PRC. For the Period, staff costs include Directors' emoluments amounted to approximately HK\$19.5 million (2008: approximately HK\$20.2 million). 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 option scheme.

BUSINESS REVIEW

During the period under review, due to the global economic downturn, the marketing activities of a major customer of the Group in Hong Kong have been slowing down. Accordingly, the turnover of the Group in the Hong Kong market plunged 84.6% from the corresponding period of last year to approximately HK\$9.0 million for the Period. Consequently, the overall turnover of the Group for the Period dropped by 47.9% compared with the corresponding period last year to approximately HK\$48.7 million.

During the period under review, although the turnover in the Hong Kong market dropped drastically as compared to the same period of last year, with the IPTV business further expanding in the PRC market, and the Original Design Manufacturing (“ODM”) services provided by the Group to one of the largest telecom equipment and system suppliers in the PRC, currently, the Group has successfully entered into Shanghai and Liaoning Province markets and has also achieved satisfactory results in penetrating into other major cities in the PRC. For example, during the period under review, the Group has been making shipments to Guangdong Province. Furthermore, the Group has been doing business in Hubei and Sichuan Province on a trial basis. As a result, the Group’s turnover in the PRC market for the Period increased by 43.2% to approximately HK\$26.0 million as compared to the same period of last year. On the other hand, to capture the opportunities arising from the large-scale launch of interactive cable set-top boxes by cable TV operators, the Group is developing new products and has launched “HD Interactive Digital Cable Set-top Box”. Besides pilot runs which have been carried out in certain cities of the PRC, this product has successfully entered into Taiwan market and made the shipments.

In order to expand its business globally, the Group has been aggressively strengthening its connections with the leading telecom operators in many parts of the world by getting involved in various tests and evaluations organized by them, tendering for new projects and establishing partnership with them. During the period under review, turnover of the Group in the European market amounted to approximately HK\$10.0 million, representing a slight increase of 5.4% over the corresponding period last year.

Since the Group focused on expanding the PRC and European markets, the distribution and selling expenses for the Period increased by 15.0% to approximately HK\$4.0 million as compared to the corresponding period of last year. In addition to broadening its income sources, the Group also adopted certain expenditure saving measures. A series of operational administration policies were implemented to certain cut expenses.

BUSINESS PROSPECT

Notwithstanding the adverse impacts of the global financial crisis and continuing uncertainties, the Group expects IPTV business will develop steadily because: (1) targeting emerging markets in the world, IPTV is now undergoing fast expansion, thus promising a huge potential for growth in terms of market demand, and when the industry is more established, the relevant technologies will be applied in more areas; and (2) the sales of the Group's products in the PRC are expected to continue to edge up, driven by the expansion of the mainland China market and the favorable macro-economic control measures imposed by the PRC government.

For the PRC market, the popularity of digital TV in the nation, the acceleration of the enforcement of overall planning and policies in promoting HDTV development, the macro-economic control measures and the 3G business had, to different extents, driven the development of IPTV business. As the telecom operators are promoting IPTV business and The State Administration of Radio Film and Television is deploying the use of Digital Video Broadcasting-Cable (DVB-C) set-top boxes, the Group will seize this opportunity to increase its market share by developing relevant products with advantages in terms of both technology and price, as well as working closely with its partners.

For the European market, the Group maintains good relationships with its existing partners and the supply to them is stable. In addition, the cooperation with Orca Interactive Ltd and Viaccess is satisfactory. The Group believes that the turnover in European market will grow steadily. The Group is active in developing system solutions which are applicable to a wider range of telecom operators and thereby laying a solid foundation for cooperating with small to medium European operators in the future.

As one of the pioneers worldwide in developing broadband set-top boxes, the Group will continue to explore overseas markets, develop new technologies and upgrade the functions of products. We will aim to provide products with greatest value to the clients all over the world, while working more closely with the existing clients. The Group is taking part in the large-scale international telecom operators' project tendering actively, and is under the short list of suppliers for some projects already.

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

SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme"), which was adopted pursuant to the ordinary resolution passed by the shareholders of the Company on 18th May 2003 for the purpose of providing incentives to certain eligible participants and unless otherwise cancelled or amended, will expire on 17th May 2013. Under the Scheme, the Directors may grant share options to eligible employees, including executive Directors, or any persons or entities who have contributed or will contribute to the growth and development of the Group, to subscribe for shares in the Company.

The following table discloses details of the existing granted options held by executive Directors and the employees of the Company under the Scheme and movements during the period under review:

	Date of grant	Exercisable period	Exercise price HK\$	Number of share options				
				At 1st January 2009	Exercised during the period	Granted during the period	Cancelled/ lapsed during the period	At 30th June 2009
Directors								
- Mr. Wang An Zhong	26th December 2006	26th December 2006 - 17th May 2013	0.2975	1,600,000	-	-	-	1,600,000
- Mr. Shi Guang Rong	26th December 2006	26th December 2006 - 17th May 2013	0.2975	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	64,464,000	(176,000)	-	(248,000)	64,040,000
	4th September 2007	4th September 2007 - 17th May 2013	1.265	55,200,000	-	-	-	55,200,000
				<u>125,384,000</u>	<u>(176,000)</u>	<u>-</u>	<u>(248,000)</u>	<u>124,960,000</u>

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

As at 30th June 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 GEM of the Exchange (the “GEM Listing Rules”), to be notified to the Company and the Exchange were as follows:

(1) Long positions in the shares of the Company

Name of Director	Nature of interests	Number of ordinary shares	Capacity	Percentage to the issued share capital of the Company
Mr. Zhu Wei Sha	Corporate (Note 1)	660,000,000	Interest of a controlled corporation	40.52%
	Personal (Note 2)	300,000	Beneficial owner	0.02%
Mr. Chen Fu Rong	Corporate (Note 1)	660,000,000	Interest of a controlled corporation	40.52%
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. Both Mr. Zhu Wei Sha and Mr. Chen Fu Rong are directors of Super Dragon.
- Dragon Treasure Ltd. (“Dragon Treasure”) is a nominee company and acts as a trustee for holding the shares in the Company on behalf of the past and present employees of the Group, including Messrs. Shi Guang Rong, Wang An Zhong and Zhu Wei Sha.

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

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

Pursuant to the share option scheme approved by the shareholders of the Company on 18th May 2003, Directors were granted share options to subscribe for shares of the Company, details of which as at 30th June 2009 were as follows:

Name of Director	Date of grant	Exercise price per share HK\$	Exercisable period	Number of share options				
				At 1st January 2009	Exercised during the period	Granted during the period	Cancelled/lapsed during the period	At 30th June 2009
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
				<u>5,720,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,720,000</u>

Save as disclosed above, none of the Directors or chief executive of the Company had, as at 30th June 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 June 2009, 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	40.52%
Dragon Treasure (Note 2)	Corporate	310,000,000	Trustee	19.03%

Notes:

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

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

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had an interest in a business which competed or might compete with the business of the Group or had any other conflict of interest with the Group during the six months ended 30th June 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 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 Period 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 had purchased, redeemed or sold any of the Company's listed securities during the six months ended 30th June 2009.

COMPLIANCE ADVISER'S INTEREST

As at 30th June 2009, neither Anglo Chinese Corporate Finance, Limited (“Anglo Chinese”) nor any of its 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 Anglo Chinese, Anglo Chinese received a fee for acting as the compliance adviser of the Company for the period from 22nd May 2007 to 21st May 2009. Currently, Anglo Chinese acts as the financial adviser of the Company for the period from 22nd May 2009 to 21st May 2010.

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 2009.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential for the rapid growth of the Group and for safeguarding and maximizing shareholders’ interests.

The Group has adopted a set of Code on Corporate Governance (the “Company Code”) which sets out the corporate standards and practices used by the Group to direct and manage its business affairs. It is prepared by referencing to the principles, code provisions and recommended best practices set out in the Code on Corporate Governance Practices (“GEM Code”) contained in Appendix 15 of the GEM Listing Rules. The Board will continue to monitor and revise the Company Code and assess the effectiveness of our corporate governance practices in tandem with changes in the environment and requirements under the GEM Code, to ensure the Company Code is in line with the expectations and interests of shareholders and comply with the GEM Code and the GEM Listing Rules.

CORPORATE GOVERNANCE PRACTICES *(Continued)*

Subject to the deviations as disclosed hereof, the Company had complied with all the GEM Code during the period under review.

- (a) Under provision A.2.1 of the GEM Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive officer should be clearly established and set out in writing. Mr. Zhu Wei Sha is both the Chairman of the Board and the Chief Executive Officer of the Group. As such, such dual roles constitute a deviation from Code Provisions A.2.1. However, the Board is of the view that: (i) the Company has sufficient internal controls to provide checks and balances on the functions of the roles; (ii) Mr. Zhu Wei Sha as the Chairman of the Board and the Chief Executive Officer of the Group is responsible for ensuring that all Directors act in the best interests of the shareholders. He is fully accountable to the shareholders and contributes to the Board and the Group on all top-level and strategic decisions; and (iii) this structure will not impair the balance of power and authority between the Board and the management of the Company.
- (b) Under provision E.1.2 of the GEM Code, the chairman of the Board should attend the annual general meeting (the "AGM") and arrange for the chairman of the audit, remuneration and nomination committees (as appropriate) to be available to answer questions at the AGM. Mr. Chen Fu Rong, the deputy chairman of the Company has been performing the above duties in lieu of Mr. Zhu Wei Sha, the chairman of the Company, who was on an overseas business trip on the date of the AGM.

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

Hong Kong, 11th August 2009

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.