



# YUXING INFOTECH HOLDINGS LIMITED

裕興科技控股有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8005)

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER 2009

### 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.

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*This announcement, for which the directors of Yuxing InfoTech Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing The Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors of the Company (the “Directors”), having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*



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### HIGHLIGHTS FOR THE YEAR ENDED 31ST DECEMBER 2009

- For the year ended 31st December 2009, turnover of the Group increased by 8.1% to approximately HK\$167.7 million as compared to last year.
- For the year ended 31st December 2009, gross profit of the Group decreased by 24.8% to approximately HK\$24.4 million as compared to last year.
- Loss attributable to equity holders of the Company for the year ended 31st December 2009 amounted to approximately HK\$24.1 million, while the Group recorded a loss attributable to equity holders of the Company of approximately HK\$36.6 million for the year ended 31st December 2008.
- Basic loss per share for the year ended 31st December 2009 was HK1.48 cents (2008: HK2.25 cents).
- Total equity attributable to equity holders of the Company as at 31st December 2009 was approximately HK\$2,616.2 million (2008: HK\$1,356.9 million) or net assets per share of HK\$1.60 (2008: HK\$0.83).
- The Board does not recommend the payment of a final dividend for the year ended 31st December 2009.

## RESULTS

The board of Directors (the “Board”) of the Company announces the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31st December 2009, together with the comparative figures for the previous year, prepared in accordance with generally accepted accounting principles in Hong Kong, as follows:

### CONSOLIDATED INCOME STATEMENT

*For the year ended 31st December 2009*

	<i>Notes</i>	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Turnover	3	<b>167,673</b>	155,167
Cost of sales		<b>(143,252)</b>	(122,699)
Gross profit		<b>24,421</b>	32,468
Other revenue and net income	4	<b>17,398</b>	49,907
Distribution and selling expenses		<b>(7,962)</b>	(9,217)
General and administrative expenses		<b>(60,392)</b>	(84,488)
Other operating expenses		<b>(901)</b>	(12,239)
Fair value gain/(loss) on investment properties		<b>4,170</b>	(5,300)
Impairment loss on property, plant and equipment		<b>–</b>	(6,137)
Loss from operations	5	<b>(23,266)</b>	(35,006)
Finance costs	6	<b>(852)</b>	(1,571)
Loss before taxation		<b>(24,118)</b>	(36,577)
Taxation	7	<b>–</b>	–
Loss attributable to equity holders of the Company		<b>(24,118)</b>	(36,577)
Loss per share	8		
– Basic		<b>(1.48) cents</b>	(2.25) cents
– Diluted		<b>(1.48) cents</b>	(2.25) cents

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2009

	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Loss attributable to equity holders of the Company	<b>(24,118)</b>	(36,577)
Other comprehensive income:		
Change in fair value of available-for-sale financial assets	<b>1,275,063</b>	(3,069,998)
Exchange differences arising on translation of PRC subsidiaries	<b>4,630</b>	253,402
	<u><b>1,279,693</b></u>	<u>(2,816,596)</u>
Other comprehensive income/(loss) for the year		
	<u><b>1,279,693</b></u>	<u>(2,816,596)</u>
Total comprehensive income/(loss) attributable to equity holders of the Company	<u><b>1,255,575</b></u>	<u>(2,853,173)</u>

## CONSOLIDATED BALANCE SHEET

As at 31st December 2009

	<i>Notes</i>	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Investment properties		<b>28,470</b>	24,300
Property, plant and equipment		<b>97,254</b>	108,917
Prepaid lease payments		<b>13,146</b>	13,476
Intangible assets		<b>–</b>	–
Available-for-sale financial assets	9	<b>2,405,260</b>	1,128,403
Dividend receivable		<b>8,688</b>	–
		<b>2,552,818</b>	1,275,096
<b>CURRENT ASSETS</b>			
Inventories		<b>34,973</b>	26,821
Trade and other receivables	10	<b>70,533</b>	55,184
Prepaid lease payments		<b>351</b>	351
Financial assets at fair value through profit or loss		<b>6,378</b>	4,901
Pledged bank deposits		<b>13,205</b>	–
Cash and bank balances		<b>53,274</b>	59,478
		<b>178,714</b>	146,735
Investment in an unconsolidated subsidiary held for sale		<b>8,177</b>	–
		<b>186,891</b>	146,735
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	<b>66,895</b>	50,533
Bank loans		<b>34,170</b>	1,015
Tax payable		<b>–</b>	30
		<b>101,065</b>	51,578
Liabilities directly associated with investment in an unconsolidated subsidiary held for sale		<b>8,177</b>	–
		<b>109,242</b>	51,578
<b>NET CURRENT ASSETS</b>		<b>77,649</b>	95,157

	<i>Notes</i>	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,630,467</b>	1,370,253
<b>NON-CURRENT LIABILITIES</b>			
Bank loans		<u>14,259</u>	<u>13,339</u>
		<u>14,259</u>	<u>13,339</u>
<b>NET ASSETS</b>		<b><u>2,616,208</u></b>	<b><u>1,356,914</u></b>
<b>CAPITAL AND RESERVES</b>			
Share capital	<i>12</i>	<b>40,757</b>	40,720
Reserves	<i>13</i>	<u>2,575,451</u>	<u>1,316,194</u>
<b>TOTAL EQUITY</b>		<b><u>2,616,208</u></b>	<b><u>1,356,914</u></b>

*Notes:*

**1. BASIS OF PREPARATION**

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKAS”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also complied with 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.

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2008 financial statements. The adoption of new/revised HKFRSs that are relevant to the Group effective from the current year has had no significant effects on the Group’s results and financial position for the current and prior years. Accordingly, no prior year adjustment has been required.

**2. FUTURE CHANGES IN HKFRSs**

At the date of authorisation of these financial statements, the HKICPA has issued a number of new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted. The Directors anticipate that the adoption of these new HKFRSs in the future periods will have no material impact on the results of the Group.

**3. SEGMENT INFORMATION**

For management purposes, the current major operating segments of the Group are information home appliances, investing and trading.

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

The investing segment is principally engaged in investment in available-for-sale financial assets and trading of securities.

The trading segment is principally engaged in selling electronic components and miscellaneous products to business partners.

Other operations of the Group mainly comprise the leasing out of properties.

### 3. SEGMENT INFORMATION *(Continued)*

#### Business segments

Turnover represents net invoiced value of goods sold to customers less returns and allowance. An analysis of the Group's turnover, revenue and other income, operating results and segment assets and liabilities by business segments is as follows:

*For the year ended 31st December 2009*

	Information home appliances <i>HK\$'000</i>	Investing <i>HK\$'000</i>	Trading <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>TURNOVER</b>						
External sales	166,828	-	845	-	-	167,673
Inter-segment sales	-	-	16	-	(16)	-
<b>REVENUE AND OTHER INCOME</b>						
	-	11,538	-	1,614	-	13,152
Total	<u>166,828</u>	<u>11,538</u>	<u>861</u>	<u>1,614</u>	<u>(16)</u>	<u>180,825</u>
<b>RESULTS</b>						
Segment results	<u>(10,939)</u>	<u>11,339</u>	<u>(2,225)</u>	<u>1,530</u>	<u>-</u>	(295)
Unallocated corporate income						1,032
Interest income						427
Fair value gain on investment properties						4,170
Other unallocated corporate expenses						<u>(28,600)</u>
Loss from operations						(23,266)
Finance costs						<u>(852)</u>
Loss before taxation						(24,118)
Taxation						<u>-</u>
Loss for the year						<u>(24,118)</u>



### 3. SEGMENT INFORMATION *(Continued)*

#### Business segments *(Continued)*

*As at 31st December 2009*

	Information home appliances <i>HK\$'000</i>	Investing <i>HK\$'000</i>	Trading <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>ASSETS</b>						
Segment assets	222,354	2,426,568	2,671	43,352	–	2,694,945
Unallocated corporate assets					44,764	44,764
Consolidated total assets						<u>2,739,709</u>
<b>LIABILITIES</b>						
Segment liabilities	88,323	836	1,713	13,636	–	104,508
Unallocated corporate liabilities					18,993	18,993
Consolidated total liabilities						<u>123,501</u>
<b>OTHER INFORMATION</b>						
Capital additions	997	–	–	–	3,026	4,023
Depreciation and amortisation	6,473	–	–	569	1,081	8,123
Impairment on inventories	6,160	–	1,215	–	–	7,375
Reversal of write-down of inventories	1,139	–	–	–	–	1,139
Reversal of impairment on trade receivables	–	–	347	–	–	347
Bad debts	–	–	–	–	29	29

### 3. SEGMENT INFORMATION *(Continued)*

#### **Business segments** *(Continued)*

*For the year ended 31st December 2008*

	Information home appliances <i>HK\$'000</i>	Investing <i>HK\$'000</i>	Trading <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>TURNOVER</b>						
External sales	140,489	–	14,678	–	–	155,167
Inter-segment sales	–	–	2,300	–	(2,300)	–
<b>REVENUE AND OTHER INCOME</b>						
	–	40,311	–	1,191	–	41,502
Total	<u>140,489</u>	<u>40,311</u>	<u>16,978</u>	<u>1,191</u>	<u>(2,300)</u>	<u>196,669</u>
<b>RESULTS</b>						
Segment results	<u>(12,198)</u>	<u>29,097</u>	<u>(5,172)</u>	<u>1,180</u>	<u>–</u>	12,907
Unallocated corporate income						2,876
Interest income						556
Fair value loss on investment properties						(5,300)
Other unallocated corporate expenses						<u>(46,045)</u>
Loss from operations						(35,006)
Finance costs						<u>(1,571)</u>
Loss before taxation						(36,577)
Taxation						<u>–</u>
Loss for the year						<u><u>(36,577)</u></u>

### 3. SEGMENT INFORMATION (Continued)

#### Business segments (Continued)

As at 31st December 2008

	Information home appliances HK\$'000	Investing HK\$'000	Trading HK\$'000	Other operations HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<b>ASSETS</b>						
Segment assets	186,109	1,139,924	4,905	39,692	–	1,370,630
Unallocated corporate assets					51,201	51,201
Consolidated total assets						<u>1,421,831</u>
<b>LIABILITIES</b>						
Segment liabilities	29,982	–	2,390	14,598	–	46,970
Unallocated corporate liabilities					17,947	17,947
Consolidated total liabilities						<u>64,917</u>
<b>OTHER INFORMATION</b>						
Capital additions	1,705	–	1,587	–	156	3,448
Depreciation and amortisation	7,008	–	729	527	1,892	10,156
Impairment on inventories	2,010	–	–	–	–	2,010
Reversal of written down of inventories	–	–	2,972	–	–	2,972
Impairment in respect of trade receivables	536	–	1,815	–	–	2,351
Bad debts	27	–	–	–	–	27
Impairment on property, plant and equipment	6,137	–	–	–	–	6,137
Impairment on intangible assets	–	–	841	–	–	841

#### Geographical information

The Group operates in two principal geographical areas: the People's Republic of China (other than Hong Kong and Macau) (the "PRC") (country of domicile) and Hong Kong.

The following table sets out information about the geographical location of (i) the Group's revenue from external customers; and (ii) the Group's non-current assets including investment properties, property, plant and equipment, prepaid lease payments, intangible asset and dividend receivable. The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the non-current assets is based on the physical location of the assets.

	Revenue from external customers		Non-current assets	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
The PRC	117,253	39,383	115,424	121,843
Hong Kong	25,463	90,933	32,134	24,850
Other countries	24,957	24,851	–	–
	<u>167,673</u>	<u>155,167</u>	<u>147,558</u>	<u>146,693</u>

### 3. SEGMENT INFORMATION *(Continued)*

#### Geographical information *(Continued)*

In addition to the information disclosed above, the Group generated revenue and other income from investing segment of approximately HK\$8,727,000 (2008: approximately HK\$40,034,000) and approximately HK\$2,811,000 (2008: approximately HK\$277,000) in the PRC and Hong Kong respectively, and the Group generated revenue and other income from other operations segment of approximately HK\$348,000 (2008: HK\$ Nil) and approximately HK\$1,266,000 (2008: approximately HK\$1,191,000) in the PRC and Hong Kong, respectively.

#### Information about major customers

Included in revenues arising from external sales of information home appliances of approximately HK\$166,828,000 (2008: approximately HK\$140,489,000) are revenue of approximately HK\$114,744,000 (2008: approximately HK\$86,089,000) which arose from sales to the Group's largest customer.

### 4. OTHER REVENUE AND NET INCOME

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
<b>Other revenue</b>		
Dividend income from unlisted securities	8,681	40,027
Dividend income from listed securities	39	284
Foreign exchange gain	–	2,456
Interest income	427	556
Rental income from investment properties	1,266	1,191
Rental income from buildings	348	–
Reversal of impairment on other receivables	–	15
Sundry income	3,257	5,378
	<u>14,018</u>	<u>49,907</u>
<b>Other net income</b>		
Gain on disposal of financial assets at fair value through profit or loss	2,818	–
Gain on disposal of property, plant and equipment	215	–
Reversal of impairment on trade receivables	347	–
	<u>3,380</u>	<u>–</u>
	<u><u>17,398</u></u>	<u><u>49,907</u></u>

## 5. LOSS FROM OPERATIONS

Loss from operations have been arrived at after charging:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Auditor's remuneration	926	926
Under provision of auditor's remuneration in prior year	–	210
Impairment in respect of trade receivables	–	2,351
Amortisation of intangible assets	–	729
Amortisation of prepaid lease payments	351	347
Depreciation of property, plant and equipment	7,772	9,080
Cost of inventories	143,252	122,699
Foreign exchange loss	402	818
(Gain)/Loss on disposal of property, plant and equipment	(215)	5
Bad debts	29	27
Reversal of write-down of inventories*	(1,139)	(2,972)
Reversal of impairment on trade receivables	(347)	–
Reversal of impairment on other receivables	(63)	–
Impairment on intangible assets (included in general and administrative expenses)	–	841
Impairment on inventories	7,375	2,010
(Gain)/Loss on disposal of financial assets at fair value through profit or loss	(2,818)	10,045
Net unrealised holding loss on financial assets at fair value through profit or loss	200	1,171
Direct outgoings from leasing of investment properties	11	454
Operating lease charges on premises	3,405	3,441
Research and development costs	2,820	2,581
	<u>          </u>	<u>          </u>
Staff costs (including Directors' emoluments):		
Salaries and allowances	31,607	32,784
Share option benefits	3,283	11,500
Retirement scheme contributions	3,146	5,091
	<u>          </u>	<u>          </u>
Total staff costs	<u>38,036</u>	<u>49,375</u>

\* *The reversal of write-down of inventories arose from disposal of inventories which had been written-down in previous years.*

## 6. FINANCE COSTS

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Interest on bank loans wholly repayable within five years	484	1,128
Interest on bank loans repayable over five years	368	443
	<u>          </u>	<u>          </u>
Total borrowing costs	<u>852</u>	<u>1,571</u>

## 7. TAXATION

The taxation charged to the income statement represents:

	2009 HK\$'000	2008 HK\$'000
Deferred taxation		
Origination and reversal of temporary difference	(245)	–
Benefit of tax losses recognised	245	–
	<u>          </u>	<u>          </u>
Charge for the year	<u>          </u>	<u>          </u>

No Hong Kong Profits Tax and PRC Enterprise Income Tax has been provided for 2009 and 2008 as the Group did not have any assessable profit for both years.

Reconciliation between tax expenses and accounting loss at applicable tax rates:

	2009 HK\$'000	2008 HK\$'000
Loss before taxation	<u>(24,118)</u>	<u>(36,577)</u>
Tax at a weighted average rate of 23.78% (2008: 18.34%) applicable to the jurisdictions concerned	(5,736)	(6,710)
Tax effect of non-deductible expenses	2,443	7,974
Tax effect of non-taxable income	(4,015)	(13,334)
Effect of tax exemptions granted to the PRC subsidiaries	(205)	(166)
Tax effect of unrecognised tax losses and timing differences	7,513	12,236
	<u>          </u>	<u>          </u>
Tax expenses for the year	<u>          </u>	<u>          </u>

## 8. LOSS PER SHARE

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

	2009 HK\$'000	2008 HK\$'000
Consolidated loss attributable to equity holders of the Company	<u>(24,118)</u>	<u>(36,577)</u>
	<u>2009</u>	<u>2008</u>
	<u>'000</u>	<u>'000</u>
Issued ordinary shares at 1st January	1,628,808	1,621,132
Effect of share options exercised	317	6,697
	<u>          </u>	<u>          </u>
Weighted average number of ordinary shares for basic loss per share	1,629,125	1,627,829
Effect of dilutive potential ordinary shares:		
Exercise of share options	N/A	N/A
	<u>          </u>	<u>          </u>
Weighted average number of ordinary shares for diluted loss per share	<u>1,629,125</u>	<u>1,627,829</u>
Loss per share:		
– Basic	(1.48) cents	(2.25) cents
– Diluted ( <i>Note</i> )	<u>(1.48) cents</u>	<u>(2.25) cents</u>

*Note:*

Diluted loss per share is the same as the basic loss per share because the effect of potential ordinary shares is anti-dilutive.

## 9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2009 HK\$'000	2008 HK\$'000
Unlisted equity securities		
– Equity interest in JI ( <i>Note</i> )	<u>2,405,260</u>	<u>1,128,403</u>

### *Note:*

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 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) 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 (the “Acquisition”). 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, 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).

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 shares as security to support its borrowings.

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.

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 moratorium will be expired on 22nd October 2010

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.

Following the expiration of the above mentioned share management agreement, Golden Yuxing entered into a bilateral agreement (the “Agreement”) with another shareholder of JI who holds 63.34% equity interest in JI on 15th September 2009, under which both parties agreed on rights to the interests in Ping An Shares attributed to each of Golden Yuxing and the other shareholder of JI, including rights to profit sharing, share placement rights, the rights to pledge shares and use them for guarantee, voting rights and methods for equity transfers in future, etc. According to the Agreement, Golden Yuxing holds the equity interest in 51,000,000 Ping An Shares through JI, while Golden Yuxing has no significant influence over JI’s financial and operating policy decisions.

As at 31st December 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 RMB2,117,831,000 (equivalent to approximately HK\$2,405,260,000) (2008: approximately RMB995,138,000 (equivalent to approximately HK\$1,128,403,000)). The valuation was arrived at by reference to the PRC audited financial statements of JI as at 31st December 2009 and adjusted by the market value of 51,000,000 Ping An Shares at 31st December 2009. In determining the market value of Ping An Shares, impact on the freezing order as detailed in contingent liabilities under Management Discussion and Analysis section has been taken into consideration. The Group recorded a revaluation surplus on the interests in JI of approximately RMB1,122,693,000 (equivalent to approximately HK\$1,275,063,000) (2008: a revaluation deficit of approximately RMB2,707,431,000 (equivalent to approximately HK\$3,069,998,000)) as at 31st December 2009.

## 10. TRADE AND OTHER RECEIVABLES

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Trade and bills receivables	36,023	36,845
Less: Impairment in respect of trade receivables	<u>(4,716)</u>	<u>(5,058)</u>
	31,307	31,787
Other receivables	21,235	19,319
Prepayments and deposits	<u>17,991</u>	<u>4,078</u>
	<u><b>70,533</b></u>	<u><b>55,184</b></u>

All of trade and other receivables are expected to be recovered or recognised as expenses within one year.

The Group grants its trade customers an average credit period of 30 to 120 days (2008: 30 to 90 days). The ageing analysis by delivery date of trade and bills receivables (net of impairment) at the balance sheet date is as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
0-30 days	12,794	5,334
31-60 days	13,996	5,545
61-90 days	989	509
Over 90 days	<u>3,528</u>	<u>20,399</u>
	<u><b>31,307</b></u>	<u><b>31,787</b></u>

## 11. TRADE AND OTHER PAYABLES

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Trade payables ( <i>Note</i> )	42,396	20,473
Other payables	9,993	10,508
Accruals	<u>14,506</u>	<u>19,552</u>
	<u><b>66,895</b></u>	<u><b>50,533</b></u>

*Note:*

The ageing analysis of trade payables at the balance sheet date was as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
0-30 days	18,341	6,976
31-60 days	9,592	3,227
61-90 days	3,386	713
Over 90 days	<u>11,077</u>	<u>9,557</u>
	<u><b>42,396</b></u>	<u><b>20,473</b></u>



## 12. SHARE CAPITAL

	Number of shares		Share capital	
	31st December 2009 '000	31st December 2008 '000	31st December 2009 HK\$'000	31st December 2008 HK\$'000
<b>Authorised:</b>				
At beginning of year and at end of 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>
<b>Issued and fully paid:</b>				
At beginning of year				
Ordinary shares of HK\$0.025 each	<u>1,628,808</u>	<u>1,621,132</u>	<u>40,720</u>	<u>40,528</u>
Exercise of share options ( <i>note</i> )	<u>1,464</u>	<u>7,676</u>	<u>37</u>	<u>192</u>
At end of year				
Ordinary shares of HK\$0.025 each	<u>1,630,272</u>	<u>1,628,808</u>	<u>40,757</u>	<u>40,720</u>

*Note:*

During the year ended 31st December 2009, 1,464,000 (2008: 7,676,000) ordinary shares of HK\$0.025 each were issued at total amount of approximately HK\$436,000 (2008: approximately HK\$2,284,000) as a result of the exercise of share options of the Company.

## 13. RESERVES

	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 HK\$'000	Total HK\$'000
At 1st January 2008	4,246	20,190	234,621	3,585,077	16,998	176,370	118,273	4,155,775
Issue of shares under share option scheme	3,023	-	-	-	(931)	-	-	2,092
Equity-settled share-based payment	-	-	-	-	11,500	-	-	11,500
Change in fair value of available-for-sale financial assets	-	-	-	(3,069,998)	-	-	-	(3,069,998)
Exchange differences on translation of PRC subsidiaries	-	-	-	-	-	253,402	-	253,402
Loss for the year	-	-	-	-	-	-	(36,577)	(36,577)
At 31st December 2008 and at 1st January 2009	<u>7,269</u>	<u>20,190</u>	<u>234,621</u>	<u>515,079</u>	<u>27,567</u>	<u>429,772</u>	<u>81,696</u>	<u>1,316,194</u>
Issue of shares under share option scheme	498	-	-	-	(99)	-	-	399
Equity-settled share-based payment	-	-	-	-	3,283	-	-	3,283
Change in fair value of available-for-sale financial assets	-	-	-	1,275,063	-	-	-	1,275,063
Exchange differences on translation of PRC subsidiaries	-	-	-	-	-	4,630	-	4,630
Loss for the year	-	-	-	-	-	-	(24,118)	(24,118)
At 31st December 2009	<u>7,767</u>	<u>20,190</u>	<u>234,621</u>	<u>1,790,142</u>	<u>30,751</u>	<u>434,402</u>	<u>57,578</u>	<u>2,575,451</u>

## **FINAL DIVIDEND**

The Board of the Company does not recommend the payment of a final dividend for the year ended 31st December 2009 (the “Year”) (2008: HK\$Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### ***FINANCIAL REVIEW***

#### **Turnover and Gross Profit**

During the year under review, the Group’s core business, the Information Home Appliances (“IHA”), was hit by the current global economic downturn, which caused one of our major customers in Hong Kong market to decelerate its marketing and selling activities. As such, the Group’s turnover in Hong Kong market dropped drastically by 72.0% to approximately HK\$25.5 million for the Year as compared to last year. However, the Group has adjusted its operating strategy at the beginning of 2009 by focusing on exploring and expanding the PRC market, resulting in a significant increase of 197.7% in the Group’s turnover in the PRC market to approximately HK\$117.3 million for the Year as compared to last year. As such, the overall turnover of the Group increased by 8.1% to approximately HK\$167.7 million for the Year as compared to last year. Notwithstanding, the products sold by the Group in the PRC market generated relatively lower gross profit margin, the overall gross profit of the Group for the Year decreased by 24.8% to approximately HK\$24.4 million as compared with 2008.

#### **Operating Results**

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

Other revenue and net income decreased significantly to approximately HK\$17.4 million for the Year (2008: approximately HK\$49.9 million). Although the Group recorded net gains on certain financial assets of approximately HK\$2.8 million for the Year (2008: HK\$Nil), the Group’s indirect investment in 51 million A shares of Ping An Insurance (Group) Company of China Limited (“Ping An Insurance”) contributed only approximately HK\$8.7 million to the Group’s other revenue for the Year, while this investment contributed approximately HK\$40.0 million to the Group’s other revenue for the year ended 31st December 2008.

##### *Operating Expenses*

During the year under review, the Group’s general and administrative expenses decreased by 28.5% to approximately HK\$60.4 million as compared with 2008. The decrease in general and administrative expenses for the Year was mainly due to the decrease in share option costs to employees, which were non-cash expenses, and the decreases in legal and professional fees by approximately HK\$8.2 million and approximately HK\$5.6 million respectively as compared to last year.

### *Other Operating Expenses*

Other operating expenses decreased to approximately HK\$0.9 million for the Year (2008: approximately HK\$12.2 million). This was mainly due to the satisfactory performance of the stock markets in the PRC and Hong Kong in 2009 as compared to last year which in turn led to a significant decline in the Group's net unrealized losses on certain financial assets to approximately HK\$0.2 million for the Year, while net realised and unrealised losses for last year of approximately HK\$11.2 million.

### *Finance Costs*

Finance costs of the Group decreased to approximately HK\$0.9 million for the Year (2008: approximately HK\$1.6 million). Such decrease in finance costs was due to the lower borrowing interest rate offered by banks during the year under review.

### *Loss for the Year*

Due to the decrease in the overall gross profit, the Group recorded a loss attributable to equity holders of the Company of approximately HK\$24.1 million for the Year (2008: approximately HK\$36.6 million). Except for the factors mentioned above, another reason for this loss was that the Group's indirect investment in 51 million A shares of Ping An Insurance contributed only approximately HK\$8.7 million to the Group's other revenue for the Year (2008: approximately HK\$40.0 million).

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

As at 31st December 2009, the Group had net current assets of approximately HK\$77.6 million. The Group had cash and bank balances and pledged bank deposits of approximately HK\$53.3 million and HK\$13.2 million respectively. The Group's financial resources were funded mainly by its shareholders' funds except for certain short-term bank loans and long-term mortgage loans totalling approximately HK\$48.4 million. As at 31st December 2009, the Group's current ratio was 1.7 times and the gearing ratio, as measured by total liabilities divided by total equity, was 4.7%. Overall, as at 31st December 2009, 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 capital structure of the Company are set out in note 12 to the financial statements as disclosed in this announcement.

### **Significant Investments/Material Acquisitions and Disposals**

For the year ended 31st December 2009, the Group had no significant investment and no material acquisition or disposal.

## Segment Information

The Group's star business segment is the IHA. The total turnover of IHA segment for the Year increased by 18.7% to approximately HK\$166.8 million as compared to last year. This increase in the turnover was mainly attributable to the further expansion of Internet Protocol Television ("IPTV") business in the PRC market in 2009. Meanwhile, the Group has been exploring PRC markets actively since 2008, consequently, the turnover of IHA segment in the PRC market increased significantly by 391.6% to approximately HK\$116.4 million for the Year. In addition, the Group has been actively strengthening its connections with leading telecom operators in many parts of the world by getting involved in various tests and evaluations organized by them and establishing partnerships with them. Despite the global economic downturn, turnover of IHA segment in overseas markets in 2009 maintained at approximately HK\$25.0 million, representing a slight increase of 0.4% over last year. The marketing and selling activities of a major customer under the IHA segment in Hong Kong market have been slowing down due to the negative impacts of the financial crisis as well. As such, the turnover of IHA segment in the Hong Kong market plunged 72.0% from last year to approximately HK\$25.5 million for the Year. Moreover, as the products of the Group sold in the PRC market generated relatively lower gross profit margin, the gross profit of IHA segment for the Year decreased by 15.3% to approximately HK\$26.7 million as compared to the previous year. Consequently, the Group recorded a loss of approximately HK\$10.9 million on the IHA segment for the Year (2008: approximately HK\$12.2 million).

The Group's investing segment is principally engaged in investing in available-for-sale financial assets and trading of securities. The results of this segment dropped by 61.0% to approximately HK\$11.3 million for the Year as compared with the last year. The main reason for this decrease was that the Group recorded gains of approximately HK\$8.7 million from its indirect investment in 51 million A shares of Ping An Insurance, while the Group recorded gains of approximately HK\$40.0 million from this investment in 2008.

In respect of the Group's trading segment, because of the lack of new breakthrough in recent years together with the negative impacts brought by the financial crisis, this business caused the Group to record a loss of approximately HK\$2.2 million for the Year (2008: approximately HK\$5.2 million). As to the other operations segment of the Group, due to the increase in the rental incomes from leasing out properties of the Group, the result of this segment increased by 29.7% to approximately HK\$1.5 million for the Year as compared to last year.

Geographical markets of the Group were mainly located in the PRC during the year under review. The turnover for the Year generated from the PRC market increased significantly by 197.7% to approximately HK\$117.3 million as compared to last year. This increase was mainly attributable to the expansion of the Group's IHA business into more provinces and cities in the PRC during the year under review. The turnover generated from overseas and Hong Kong markets slightly increased by 0.4% and significantly decreased by 72.0% to approximately HK\$25.0 million and HK\$25.5 million respectively for the Year as compared to last year.

## **Exposure to Fluctuations in Exchange Rates**

Most of the trading transactions of the Group were denominated in United States dollars and in Renminbi. The assets of the Group were mainly denominated in Renminbi and the remaining portions were denominated in Hong Kong dollars. The official exchange rates for United States dollars, Hong Kong dollars and Renminbi have been stable for the Year. No hedging or other alternative measures have been implemented by the Group. As at 31st December 2009, the Group had no significant exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

## **Contingent Liabilities**

- (a) In December 2008, Guangdong Jianlibao Group Company Limited (“JLB Group”) initialled 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 Sheng Bang Qiang Dian Electronics (Shenzhen) Co., Ltd (“Shenzhen Sheng Bang”) for infringing the interest of JLB Group; and (3) Mr. Zhang Hai and the controlling shareholders, actual controller, directors, supervisors, senior management of Beijing Golden Yuxing Electronics and Technology Company Limited (“Golden Yuxing”) for infringing the interest of JLB Group (collectively the “Actions”). Foshan Zhixing, Shenzhen Sheng Bang and Golden Yuxing are wholly-owned subsidiaries of the Group.

The People’s Court of 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 JLB Group, the Court of San Shui made orders of (1) freezing the bank deposits of Mr. Zhang Hai and Foshan Zhixing totaling RMB10,100,000 or sealing up and distraining its assets of such equivalent amount; (2) freezing the bank deposits of Mr. Zhang Hai and Shenzhen Sheng Bang totaling RMB40,620,000 or sealing up and distraining its assets of such equivalent amount; and (3) freezing the bank deposits of Mr. Zhang Hai and Golden Yuxing totaling RMB46,000,000 or sealing up and distraining its assets of an equivalent amount, together with a standby moratorium dated 13th January 2009 referring to Golden Yuxing’s 36.66% equity interest in Shenzhen Jiangnan Industrial Development Co., Ltd. (“JI”) from the Court of San Shui. The Group has been notified in August of 2009 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 Group 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 becoming one of the defendants of the Actions.

On 20th October 2009, the Group was notified by JI that the Intermediate Court of Fo Shan has issued a Notice of Enforcement to JI on 4th September 2009, ordering JI to assist in freezing Golden Yuxing's 36.66% equity interest in JI and suspending the payment of dividends attributable to Golden Yuxing in respect of its equity interest in JI for a period from 7th September 2009 to 6th September 2011. According to the legal opinion dated 19th March 2010 from the Group's PRC lawyers, Golden Yuxing was entitled to receive the dividend from JI but the suspension of the dividend payment is still in force. As a result of the above freezing order, the dividend receivable from JI amounting to approximately HK\$8.7 million (2008: HK\$Nil) was classified as non-current asset as at 31st December 2009.

On 9th March 2010, the Group has received summons from Intermediate Court of Fo Shan, which summoned Beijing Yuxing Software Co., Limited and Golden Yuxing to the court to respond to hearings.

As at 31st December 2009, certain cash and bank balances of the Group with carrying value of approximately HK\$1.0 million (2008: approximately HK\$0.9 million) were frozen by the Intermediate Court of Fo Shan.

As at the date of this announcement, no trial or judgement for the Actions has been received from the Intermediate Court of Fo Shan yet. The Board has sought legal advice from its PRC lawyers and is of the view that the Actions are based on unsubstantiated and invalid grounds. The Board does not believe the Actions will have any significant impact on the financial position of the Group and no provision is considered necessary.

- (b) In 2007, 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 Sanshui Jianlibao Health Industry Investment Co., Ltd ("SJHII") as vendor, claiming, among other matters, that the sale by SJHII to Golden Yuxing in August 2004 of 10.435% (which was subsequently increased to 36.66% pursuant to adjustments of shareholders' equity interest in 2006) equity interest in JI (the "Acquisition"), a company whose principal assets were 479,117,788 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, which said that JLB Group claimed that SJHII was actually a trustee holding the shares of JI on their behalf and had entered into the share sale agreement 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's shares to Golden Yuxing. JLB Group thereby demanded the reversion and return of the JI's shares from Golden Yuxing to SJHII.

On 7th January 2009, the Group received a judgment dated 23rd December 2008 from the Guangdong Higher Court which ruled that (i) the Acquisition and the registration of the transfer of the related equity interest in JI were legally valid; (ii) the claim submitted by the JLB Group to invalidate the Acquisition was rejected and; (iii) the counter-claim filed by Golden Yuxing with the Guangdong Higher Court in May 2008 as a result of JLB Group's claim was also rejected.

On 25th June 2009, Golden Yuxing was notified by the Supreme Court of the People's Republic of China (the "Supreme Court") that an appeal has been lodged by the JLB Group, and which was accepted by the Supreme Court.

In December 2009, the Group received the (2009) Min Er Zhong Zi No. 53 civil ruling made on 20th November 2009 from the Supreme Court which ruled that upon the hearing, with regard to the litigation, the Supreme Court was of the view that the trial judgement of the Guangdong Higher Court misapprehended the facts and therefore ruled (1) to revoke the civil ruling issued by the Guangdong Higher Court on 23rd December 2008; and (2) to return the case to the Guangdong Higher Court for rehearing.

As at the date of this announcement, no trial or judgement for the rehearing has been received from the Guangdong Higher Court. The Board has sought legal advice from its PRC lawyers and is still of the view that the claim submitted by JLB Group is based on invalid grounds. The Group has valid evidences which sufficiently ascertain their 36.66% ownership on the equity interest in JI. Therefore, the Board does not believe the claim will have any significant impact on the financial position of the Group and no provision is considered necessary.

- (c) Subsequent to the balance sheet date, the Group has received a notice issued by the Court of San Shui dated 8th February 2010 that the pending dispute cases where the prosecutor Foshan Sanshui Zheng Tian Technology Investment Company Limited prosecuted against SJHII, Beijing Ling Si Information System Company Limited and Golden Yuxing, had been designated by Guangdong Higher Court to care under the jurisdiction of Intermediate Court of Fo Shan. As at the date of this announcement, the pending dispute cases are under hearing by the Intermediate Court of Fo Shan.

The Board has sought legal advice from its PRC lawyers in these respects and is of the view that the claim is based on invalid grounds. The Board believes the claim will not have significant impact on the financial position of the Group and no provision is considered necessary.

## **Human Resources**

As at 31st December 2009, the Group had over 530 (2008: over 480) full time employees, of which 12 (2008: 12) were based in Hong Kong and the rest were in the PRC. Staff costs of the Group amounted to approximately HK\$38.0 million for the Year (2008: approximately HK\$49.4 million). This decrease in staff costs was mainly due to the decrease in share options costs to employees (non-cash expenses) for the Year by 71.5% to approximately HK\$3.3 million as compared with last year. All employees of the Company's subsidiaries are selected and promoted based on their suitability for the position offered. The salary and benefit levels of the Group's employees are in line with the market. Employees are rewarded on a performance-related basis within the general framework of the Group's remuneration system which is reviewed annually. In addition to the basic salaries, staff benefits also include medical scheme, various insurance schemes and share options scheme.

## ***BUSINESS REVIEW***

Being one of the pioneers engaging in the research and development of broadband set-top boxes, the Group has always been leading the global IPTV set-top boxes industry with its core business – IHA segment. The overall sales of this segment for the Year amounted to approximately HK\$166.8 million, representing an approximate 18.7% increase as compared with last year.

During the year under review, the Group's IHA segment was hit by the global economic downturn, making one of our major customers in Hong Kong market reduced its marketing and selling activities, resulting in a significant decrease in our turnover in Hong Kong market under IHA segment to approximately HK\$25.5 million, which in turn represented a decrease of 72.0% as compared with 2008.

Notwithstanding the significant decrease in the Group's turnover in Hong Kong market during the year, the Group has adjusted its operating strategy at the beginning of 2009 by focusing on exploring and expanding 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 shipments of its IPTV set-top boxes to its customers in the Guangdong Province, Hubei Province, Sichuan Province, Liaoning Province and Shanghai, etc in the PRC. 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 2009. The "Standard-definition Digital Cable Set-top Box" developed and marketed by the Group in the year has also successfully penetrated into the Shaoxing market in the PRC in the third quarter of the year. As a result, the Group's turnover in the PRC market under IHA segment for the Year increased significantly by 391.6% to approximately HK\$116.4 million as compared with last year. This also led to an increase of the Group's overall turnover for the Year by 8.1% to approximately HK\$167.7 million as compared with 2008. However, as the products sold in the PRC market generated relatively lower gross profit margin, the overall gross profit of the Group for the Year decreased by 24.8% to approximately HK\$24.4 million as compared with last year.

For the international markets, although global economies are still affected by the onset of the global financial turmoil since late 2008, the development of IHA business of the Group remained stable during the year under review. The Group maintained cooperation with telecom operators in Europe, which not only continued to make successive supply, but the products also met the requirements of the customers. Such cooperation, thus, laid a solid foundation for further development between the Group and international telecom operators. Moreover, the on-going cooperations between the Group and Orca Interactive Ltd. and Viaccess have made a good stead for the Group to satisfy diversified demands from customers of more different regions, more telecom operators and system integrators. A sound effect has been received by the Group in developing regional markets through these cooperations. During the year under review, the Group and certain international prestigious system integrators and telecom operators have entered into cooperation agreements or memorandums. Our products have tapped into America and Romania in the third quarter of the year and begun to emerge to Australian and Belgium markets in the fourth quarter of the year. The sales of the Group in international markets slightly increased by 0.4% to approximately HK\$25.0 million for the Year as compared with last year.

Due to the decrease in the Group's overall gross profit, the Group recorded a loss attributable to equity holders of the Company of approximately HK\$24.1 million for the Year (2008: approximately HK\$36.6 million). Besides, another reason for this loss was that the Group's indirect investment in 51 million A shares of Ping An Insurance contributed only approximately HK\$8.7 million gain to the Group for the Year (2008: approximately HK\$40.0 million) as a result of a significantly smaller amount of dividend paid out by Ping An Insurance when compared to year 2008.

In relation to the claim submitted by JLB Group against the acquisition by Golden Yuxing from SJHII of 36.66% equity interest in JI and hence the indirect holding by Golden Yuxing of the 51 million A shares of Ping An Insurance under an agreement entered into by Golden Yuxing and SJHII dated 10th August 2004, on 3rd December 2009, the Group received a written civil ruling released by the Supreme Court dated 20th November 2009, with the following rules: (1) to revoke the civil ruling issued by the Guangdong Higher Court dated 23rd December 2008; and (2) to return the case to the Guangdong Higher Court for rehearing.



Besides, according to our announcement dated 22nd October 2009, Intermediate Court of Fo Shan had issued a Notice of Enforcement to JI on 4th September 2009, ordering JI to assist in freezing Golden Yuxing's 36.66% equity interest in JI and its dividend entitlements held by Golden Yuxing and suspending the payment of dividends attributable to Golden Yuxing in respect of its equity interest in JI, for a period from 7th September 2009 to 6th September 2011. According to the legal opinion dated 19th March 2010 from the Group's PRC lawyers, Golden Yuxing was entitled to receive the dividend from JI but the suspension of the dividend payment is still in force.

### ***BUSINESS PROSPECT***

As the global economies have gradually revived from the credit crunch, input for IPTV business has increased from various countries. According to the schedules of our existing customers, the Group expects a better IPTV market for 2010 than that of 2009.

For the PRC market, since the State Council held a conference on accelerating amalgamation of three nets (telecom net, broadcast & TV net, as well as Internet) dated 13th January 2010, the development of IPTV business in the PRC market would be further expedited. Pursuant to the deployments in the conference, a two-pronged trail in broadcast & TV and telecom industries is going to be carried out from 2010 to 2012 as the key initiatives in this area for the nation. With our extensive experience research and product development and customer service in respect of two-way interactive TV, the Group believes that massive potential and greater harvest will be gained from those deployments.

Regarding the global markets, with diversified products, advanced R&D ability over technology, as well as considerable customer service of IA business, the Group is maneuvering to extend its sales network to all over the world. For the coming year, the Group is committed as ever to maintaining close cooperation with the global level I telecom operators (large-size telecom operators), and to actively establish cooperations with level II and level III telecom operators (small and medium-size telecom operators), with an aim to have greater presentation in more regions. For the Hong Kong market, the Group has in the year already completed products upgrading and function integrity to meet the requirements of the Hong Kong customer and currently, the Group is cooperating with the customer for further market promotion.

### **AUDIT COMMITTEE**

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

The Committee provides an important link between the Board and the Company's auditor in matters coming within the scope of the Group's audit. The primary duties of the 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 Committee comprises three Independent Non-executive Directors of the Company, namely Mr. Wu Jia Jun, Mr. Zhong Peng Rong and Ms. Shen Yan. Ms. Shen Yan was appointed as the chairman of the Committee and she has appropriate professional qualifications in accounting and auditing experience. The Committee had held four meetings during the current financial year. The Group's annual results for the year ended 31st December 2009 had been reviewed by the Committee.

### **PURCHASE, SALE OR REDEMPTION OF SHARES**

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's shares during the year under review.

## **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 to all Directors and all Directors have confirmed that they have complied with all the required standards of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules during the year under review.

## **CORPORATE GOVERNANCE**

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 continued growth of the Group and for safeguarding and maximizing shareholders' interests.

The Group has adopted a set of Code on Corporate Governance ("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, which came into effect on 1st January 2005. 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.

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

- (a) Under provision A.2.1 of the GEM Code, the role of chairman and chief executive officer should be separated and should not be performed by the same individual. The 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 role constitutes 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 Chairman and Chief Executive Officer; (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 (“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 business trip to overseas on the day of AGM.

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

Hong Kong, 22nd March 2010

\* *For identification purposes only*

*As at the date hereof, the executive Directors 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.*

*This announcement will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) and on the website of the Company at [www.yuxing.com.cn](http://www.yuxing.com.cn) for at least 7 days from the date of its publication.*