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 2010

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This announcement, for which the directors (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 GEM of the Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this announcement misleading.

* *For identification purposes only*

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ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER 2010

HIGHLIGHTS FOR THE YEAR ENDED 31ST DECEMBER 2010

- For the year ended 31st December 2010, turnover of the Group increased significantly by 99.9% to approximately HK$335.1 million as compared with last year.

- For the year ended 31st December 2010, gross profit of the Group increased significantly by 116.3% to approximately HK$52.8 million as compared with last year.

- Profit attributable to owners of the parent for the year ended 31st December 2010 amounted to approximately HK$14.8 million, while the Group recorded a loss attributable to owners of the parent of approximately HK$24.1 million for the year ended 31st December 2009.

- Basic earnings per share for the year ended 31st December 2010 was HK0.9 cent (2009: loss per share was HK1.48 cents).

- Total equity attributable to owners of the parent as at 31st December 2010 was approximately HK$3,325.5 million (2009: approximately HK$2,616.2 million) or net assets per share of HK$1.92 (2009: HK$1.60).

- The Board does not recommend the payment of a dividend for the year ended 31st December 2010.

RESULTS

The board of Directors (the "Board") of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December 2010, 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 2010

	Notes	**2010** *HK$'000*	2009 *HK$'000*
Turnover	*3*	**335,099**	167,673
Cost of sales		**(282,269)**	(143,252)
Gross profit		**52,830**	24,421
Other revenue and net income	*4*	**33,223**	17,398
Distribution and selling expenses		**(11,550)**	(7,962)
General and administrative expenses		**(59,263)**	(60,392)
Other operating expenses		**(2,538)**	(901)
Fair value gains on investment properties		**4,650**	4,170
Profit/(Loss) from operations	*5*	**17,352**	(23,266)
Finance costs	*6*	**(2,353)**	(852)
Profit/(Loss) before taxation		**14,999**	(24,118)
Taxation	*7*	**(190)**	–
Profit/(Loss) attributable to owners of the parent		**14,809**	(24,118)
Earnings/(Loss) per share	*8*		
– Basic		**0.90 cent**	(1.48) cents
– Diluted		**0.89 cent**	(1.48) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31st December 2010

	2010	2009
	HK$'000	*HK$'000*
Profit/(Loss) attributable to owners of the parent	**14,809**	(24,118)
Other comprehensive income:		
Change in fair value of available-for-sale financial assets	**573,096**	1,275,063
Exchange differences arising on translation of PRC subsidiaries	**90,222**	4,630
Other comprehensive income for the year	**663,318**	1,279,693
Total comprehensive income attributable to owners of the parent	**678,127**	1,255,575

CONSOLIDATED BALANCE SHEET

As at 31st December 2010

	Notes	As at 31st December 2010 HK$'000	As at 31st December 2009 HK$'000 (restated)	As at 1st January 2009 HK$'000 (restated)
NON-CURRENT ASSETS				
Investment properties		**33,120**	28,470	24,300
Property, plant and equipment		**94,704**	97,254	108,917
Prepaid lease payments		**13,240**	13,146	13,476
Intangible assets		**–**	–	–
Available-for-sale financial assets	*9*	**3,062,027**	2,405,260	1,128,403
Dividend receivable		**–**	8,688	–
		3,203,091	2,552,818	1,275,096
CURRENT ASSETS				
Inventories		**70,763**	34,973	26,821
Trade and other receivables	*10*	**112,496**	70,533	55,184
Prepaid lease payments		**364**	351	351
Dividend receivable		**35,962**	–	–
Financial assets at fair value through profit or loss		**15,038**	6,378	4,901
Pledged bank deposits		**8,680**	13,205	–
Cash and bank balances		**56,139**	53,274	59,478
		299,442	178,714	146,735
Investment in an unconsolidated subsidiary held for sale		**–**	8,177	–
		299,442	186,891	146,735
CURRENT LIABILITIES				
Trade and other payables	*11*	**115,650**	66,895	50,533
Bank loans		**61,185**	48,429	14,354
Tax payable		**194**	–	30
		177,029	115,324	64,917
Liabilities directly associated with investment in an unconsolidated subsidiary held for sale		**–**	8,177	–
		177,029	123,501	64,917

	Notes	As at 31st December 2010 HK$'000	As at 31st December 2009 HK$'000 (restated)	As at 1st January 2009 HK$'000 (restated)
NET CURRENT ASSETS		**122,413**	63,390	81,818
NET ASSETS		**3,325,504**	2,616,208	1,356,914
CAPITAL AND RESERVES				
Share capital	*12*	**43,355**	40,757	40,720
Reserves	*13*	**3,282,149**	2,575,451	1,316,194
TOTAL EQUITY		**3,325,504**	2,616,208	1,356,914

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 2009 financial statements, except for the adoption of the following new/revised HKFRSs that are relevant to the Group and effective from the current year which, other than those as set out below, has had no significant effects on the Group's results and financial position for the current and prior years.

HKFRS 3 (Revised): Business Combinations/Improvements to HKFRSs (2009) with amendments to HKFRS 3

The revised standard introduced a number of major changes including the following:

- acquisition-related transaction costs, other than share and debt issue costs, to be expensed as incurred;
- existing interest in the acquiree to be remeasured at fair value, with the gain or loss recognised in profit or loss, upon subsequent changes in ownership interests;
- non-controlling interest in the acquiree to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree;
- contingent consideration to be recognised at fair value at the acquisition date; and
- goodwill to be measured at the excess of the aggregate of the acquisition-date fair value of the acquirer's interest in the acquiree and the amount of any non-controlling interest over the net of the acquisition-date amounts of identifiable assets acquired and the liabilities assumed from the acquisition.

The Improvements to HKFRSs (2009) contains amendments to clarify the measurement of the fair value of an intangible asset acquired in a business combination and to permit the grouping of intangible assets as a single asset if each asset has a similar useful life.

These changes did not have material impact on the financial statements of the Group for the year ended 31st December 2010.

HKAS 27 (Revised): Consolidated and Separate Financial Statements

The revised standard requires accounting for changes in ownership interests in a subsidiary, while maintaining control, to be recognised as an equity transaction. It also requires, when the group loses control of a subsidiary, any interest retained in the former subsidiary to be remeasured at fair value with the gain or loss recognised in profit or loss. This principle is also extended to a disposal of an associate through the consequential amendments to HKAS 28 Investments in Associates. The adoption of the revised standard did not have material impact on the financial statements of the Group for the year ended 31st December 2010.

1. BASIS OF PREPARATION *(Continued)*

Amendments to HKAS 17 Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated balance sheet. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1st January 2010 based on information that existed at the inception of the leases. There is no leasehold land of the Group that qualifies for finance lease classification, hence, no prepaid lease payment has been reclassified to property, plant, and equipment retrospectively.

HK – Int 5: Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The Interpretation concludes that, if a term loan (i.e. a loan that is repayable on a specified date or in installments over a specified period, usually in excess of one year) has a demand clause (i.e. a clause that gives the lender an overriding right to demand repayment without notice or with notice period of less than 12 months at its sole discretion) in its term, the loan shall be classified by the borrower as a current liability in the balance sheet. Similarly, the amounts repayable under such a term loan shall be classified in the earliest time bracket in the contractual maturity analysis as required to be disclosed under HKFRS 7: Financial Instruments: Disclosures. This Interpretation has been applied retrospectively by re-presenting the opening balances at 1st January 2009, with consequential reclassification adjustments to comparatives for the year ended 31st December 2009. The reclassification has had no effect on the Group's reported profit or loss, total comprehensive income or equity for any period presented.

Effect of adoption of HK – Int 5 on the consolidated balance sheet:

	At 31st December 2010 *HK$'000*	At 31st December 2009 *HK$'000*	At 1st January 2009 *HK$'000*
Increase/(Decrease) in			
Current liabilities			
Bank loans	**13,131**	14,259	13,339
Non-current liabilities			
Bank loans	**(13,131)**	(14,259)	(13,339)

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 Group is in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the Group's consolidated financial statements.

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 home appliances and complementary products to consumer markets.

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

The trading segment is principally engaged in selling electronic components, plastic and miscellaneous products.

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

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, segment results and segment assets and liabilities by business segments is as follows:

For the year ended 31st December 2010

	Information home appliances *HK$'000*	Investing *HK$'000*	Trading *HK$'000*	Other operations *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
TURNOVER						
External sales	**331,516**	**–**	**3,583**	**–**	**–**	**335,099**
Inter-segment sales	**–**	**–**	**2,316**	**–**	**(2,316)**	**–**
REVENUE AND OTHER INCOME	**2,384**	**27,036**	**180**	**2,348**	**–**	**31,948**
Total	**333,900**	**27,036**	**6,079**	**2,348**	**(2,316)**	**367,047**
RESULTS						
Segment results	**5,768**	**26,354**	**(1,670)**	**1,984**	**–**	**32,436**
Unallocated corporate income						**800**
Interest income						**475**
Fair value gain on investment properties						**4,650**
Other unallocated corporate expenses						**(21,009)**
Profit from operations						**17,352**
Finance costs						**(2,353)**
Profit before taxation						**14,999**
Taxation						**(190)**
Profit for the year						**14,809**

3. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

As at 31st December 2010

	Information home appliances *HK$'000*	Investing *HK$'000*	Trading *HK$'000*	Other operations *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
ASSETS						
Segment assets	288,859	3,120,020	7,747	47,965	–	3,464,591
Unallocated corporate assets					37,942	37,942
Consolidated total assets						3,502,533
LIABILITIES						
Segment liabilities	148,289	–	2,016	12,501	–	162,806
Unallocated corporate liabilities					14,223	14,223
Consolidated total liabilities						177,029
OTHER INFORMATION						
Capital additions	1,600	–	–	–	27	1,627
Depreciation and amortisation	6,496	–	475	–	562	7,533
Impairment on inventories	4,798	–	350	–	–	5,148
Reversal of write-down of inventories	(5,485)	–	(88)	–	–	(5,573)
Recovery of bad debts previously written off	(272)	–	(129)	–	–	(401)
Impairment in respect of trade receivables	–	–	38	–	–	38
Reversal of impairment on trade receivables	–	–	(70)	–	–	(70)
Impairment on other receivables	–	–	400	–	–	400

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

Business segments *(Continued)*

For the year ended 31st December 2009

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

3. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

As at 31st December 2009

	Information home appliances *HK$'000*	Investing *HK$'000*	Trading *HK$'000*	Other operations *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
ASSETS						
Segment assets	222,354	2,426,568	2,671	43,352	–	2,694,945
Unallocated corporate assets					44,764	44,764
Consolidated total assets						2,739,709
LIABILITIES						
Segment liabilities	88,323	836	1,713	13,636	–	104,508
Unallocated corporate liabilities					18,993	18,993
Consolidated total liabilities						123,501
OTHER INFORMATION						
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)*

Geographical information

The Group operates in two principal geographical areas: the People's Republic of China (other than Hong Kong and Macau) (the "PRC") 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 other than available-for-sale financial assets. 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**	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC	**200,624**	117,253	**104,615**	115,424
Hong Kong	**53,800**	25,463	**36,449**	32,134
Overseas markets	**80,675**	24,957	**–**	–
	335,099	167,673	**141,064**	147,558

In addition to the information disclosed above, the Group generated revenue and other income from information home appliances segment of approximately HK$973,000 (2009: HK$Nil) and approximately HK$1,411,000 (2009: HK$Nil) in the PRC and Hong Kong respectively, and the Group generated revenue and other income from investing segment of approximately HK$25,949,000 (2009: approximately HK$8,727,000) and approximately HK$1,087,000 (2009: approximately HK$2,811,000) in the PRC and Hong Kong respectively.

The Group also generated revenue and other income from trading segment of approximately HK$180,000 (2009: HK$Nil) in the PRC, and the Group generated revenue and other income from other operations segment of approximately HK$1,148,000 (2009: approximately HK$348,000) and approximately HK$1,200,000 (2009: approximately HK$1,266,000) in the PRC and Hong Kong respectively.

Information about major customers

Revenues from external customers contributing over 10% of the total revenue from the Group's information home appliances segment are as follows:

	2010	2009
	HK$'000	*HK$'000*
Customer A	**191,426**	114,744
Customer B	**44,795**	–
Customer C	**–**	19,291
	236,221	134,035

4. OTHER REVENUE AND NET INCOME

	2010	2009
	HK$'000	*HK$'000*
Other revenue		
Dividend income from unlisted securities	**26,340**	8,681
Dividend income from listed securities	**91**	39
Interest income	**475**	427
Rental income from investment properties	**1,200**	1,266
Rental income from buildings	**1,148**	348
Sundry income	**2,893**	3,257
	32,147	14,018
Other net income		
Gains on disposal of financial assets at fair value through profit or loss	**605**	2,818
Gain on disposal of property, plant and equipment	**–**	215
Reversal of impairment on trade receivables	**70**	347
Recovery of bad debts previously written off	**401**	–
	1,076	3,380
	33,223	17,398

5. PROFIT/(LOSS) FROM OPERATIONS

Profit/(Loss) from operations have been arrived at after charging/(crediting):

	2010	2009
	HK$'000	*HK$'000*
Auditor's remuneration	**963**	926
Impairment in respect of trade receivables	**38**	–
Impairment on other receivables	**400**	–
Amortisation of prepaid lease payments	**355**	351
Depreciation of property, plant and equipment	**7,178**	7,772
Cost of inventories	**282,269**	143,252
Foreign exchange loss	**693**	402
Loss/(Gain) on disposal of property, plant and equipment	**29**	(215)
Bad debts	**–**	29
Reversal of write-down of inventories*	**(5,573)**	(1,139)
Reversal of impairment on other receivables	**–**	(63)
Impairment on inventories	**5,148**	7,375
Gains on disposal of financial assets at fair value through profit or loss	**(605)**	(2,818)
Net unrealised holding loss on financial assets at fair value through profit or loss	**683**	200
Direct outgoings from leasing of investment properties	**11**	11
Operating lease charges on premises	**2,902**	3,405
Research and development costs	**1,930**	2,820
Staff costs (including Directors' emoluments):		
Salaries and allowances	**40,621**	31,607
Share option benefits	**–**	3,283
Retirement benefits scheme contributions	**3,968**	3,146
Total staff costs	**44,589**	38,036

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

6. FINANCE COSTS

	2010	2009
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**1,981**	484
Interest on bank loans wholly repayable over five years	**372**	368
Total borrowing costs	**2,353**	852

7. TAXATION

The taxation charged to profit or loss represents:

	2010	2009
	HK$'000	*HK$'000*
PRC enterprise income tax	**190**	–
Deferred taxation		
Origination and reversal of temporary difference	**(252)**	(245)
Benefit of tax losses recognised	**252**	245
	–	–
Charge for the year	**190**	–

No Hong Kong Profits Tax has been provided for 2010 and 2009 as the Group did not have any assessable profit from Hong Kong for both years.

The income tax provision in respect of operations in the PRC is calculated at the applicable tax rate of 25% on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof. No PRC enterprise income tax has been provided for 2009 as the Group did not have any assessable profit from the PRC.

8. EARNINGS/(LOSS) PER SHARE

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

	2010	2009
	HK$'000	*HK$'000*
Consolidated profit/(loss) attributable to owners of the parent	**14,809**	(24,118)

	2010	2009
	'000	*'000*
Issued ordinary shares at 1st January	**1,630,272**	1,628,808
Effect of share options exercised	**314**	317
Issue of new shares upon a private placing	**12,603**	–
Weighted average number of ordinary shares for basic earnings/(loss) per share	**1,643,189**	1,629,125
Effect of dilutive potential ordinary shares:		
Exercise of share options	**15,406**	N/A
Weighted average number of ordinary shares for diluted earnings/(loss) per share	**1,658,595**	1,629,125
Earnings/(Loss) per share:		
– Basic	**0.90 cent**	(1.48) cents
– Diluted *(Note)*	**0.89 cent**	(1.48) cents

Note: The calculation of diluted earnings per share for the year ended 31st December 2010 is based on the profit attributable to owners of the parent of approximately HK$14,809,000, and the weighted average number of shares issued during the year of approximately 1,643,189,000 after adjusting for the number of dilutive potential ordinary shares arising from the outstanding share options granted under the Company's share option scheme.

Diluted loss per share is the same as the basic loss per share for the year ended 31st December 2009 because the effect of potential ordinary shares is anti-dilutive.

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2010	2009
	HK$'000	*HK$'000*
Unlisted equity securities, at fair value		
– Equity interest in Shenzhen Jiangnan Industrial Development Company Limited ("JI") *(Note)*	**3,062,027**	2,405,260

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(Continued)*

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 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 Company Limited ("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 interest 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) Company Limited, both of which are wholly-owned subsidiaries of the Group. The moratorium will be expired on 21st October 2011.

The Intermediate People's Court of Foshan, 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 2010, the equity interest in JI held by the Group was revalued by Vigers Appraisal & Consulting Limited, to approximately RMB2,605,478,000 (equivalent to approximately HK$3,062,027,000) (2009: approximately RMB2,117,831,000 (equivalent to approximately HK$2,405,260,000)). The valuation was arrived at by reference to the PRC audited financial statements of JI as at 31st December 2010 and adjusted by the market value of 51,000,000 Ping An Shares as at 31st December 2010. 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 RMB487,647,000 (equivalent to approximately HK$573,096,000) (2009: approximately RMB1,122,693,000 (equivalent to approximately HK$1,275,063,000)) as at 31st December 2010.

10. TRADE AND OTHER RECEIVABLES

	2010	2009
	HK$'000	*HK$'000*
Trade and bills receivables	**94,727**	36,023
Less: Impairment in respect of trade receivables	**(4,771)**	(4,716)
	89,956	31,307
Other receivables	**16,386**	21,235
Prepayments and deposits	**6,154**	17,991
	112,496	70,533

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 (2009: 30 to 120 days). The ageing analysis by delivery date of trade and bills receivables (net of impairment) at the balance sheet date is as follows:

	2010	2009
	HK$'000	*HK$'000*
0-30 days	**48,219**	12,794
31-60 days	**29,066**	13,996
61-90 days	**8,457**	989
Over 90 days	**4,214**	3,528
	89,956	31,307

11. TRADE AND OTHER PAYABLES

	2010	2009
	HK$'000	*HK$'000*
Trade payables *(Note)*	**86,017**	42,396
Other payables	**8,265**	9,993
Accruals	**21,368**	14,506
	115,650	66,895

Note:

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

	2010	2009
	HK$'000	*HK$'000*
0-30 days	**41,707**	18,341
31-60 days	**21,856**	9,592
61-90 days	**10,212**	3,386
Over 90 days	**12,242**	11,077
	86,017	42,396

12. SHARE CAPITAL

	Number of shares		Amount	
	31st December 2010	31st December 2009	**31st December 2010**	31st December 2009
	'000	*'000*	***HK$'000***	*HK$'000*
Authorised:				
At beginning of year and at end of year				
Ordinary shares of HK$0.025 each	**8,000,000**	8,000,000	**200,000**	200,000
Issued and fully paid:				
At beginning of year				
Ordinary shares of HK$0.025 each	**1,630,272**	1,628,808	**40,757**	40,720
Exercise of share options *(Note (a))*	**3,928**	1,464	**98**	37
Issue of new shares upon a private placing *(Note (b))*	**100,000**	–	**2,500**	–
At end of year				
Ordinary shares of HK$0.025 each	**1,734,200**	1,630,272	**43,355**	40,757

Note:

(a) During the year ended 31st December 2010, 3,928,000 (2009: 1,464,000) ordinary shares of HK$0.025 each were issued at total amount of approximately HK$1,169,000 (2009: approximately HK$436,000) as a result of the exercise of share options of the Company.

(b) On 15th November 2010, 100,000,000 ordinary shares of HK$0.025 each were issued at total consideration of HK$30,000,000 as a result of issue of new shares upon a private placing to Gold Swiss Holdings Limited, an independent investor. The market value of the Company's shares as at the date of allotment was HK$0.53 per share.

13. RESERVES

	Share premium HK$'000	Statutory reserves HK$'000	Contributed surplus HK$'000	Share option reserves HK$'000	Investment revaluation reserves HK$'000	Translation reserves HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January 2009	7,269	20,190	234,621	27,567	515,079	429,772	81,696	1,316,194
Loss for the year	–	–	–	–	–	–	(24,118)	(24,118)
Other comprehensive income:								
Change in fair value of available-for-sale financial assets	–	–	–	–	1,275,063	–	–	1,275,063
Exchange differences arising on translation of PRC subsidiaries	–	–	–	–	–	4,630	–	4,630
Total other comprehensive income	–	–	–	–	1,275,063	4,630	–	1,279,693
Total comprehensive income for the year	–	–	–	–	1,275,063	4,630	(24,118)	1,255,575
Transactions with owners:								
Issue of shares under share option scheme	498	–	–	(99)	–	–	–	399
Equity-settled share-based payment	–	–	–	3,283	–	–	–	3,283
Total transactions with owners	498	–	–	3,184	–	–	–	3,682
At 31st December 2009 and at 1st January 2010	7,767	20,190	234,621	30,751	1,790,142	434,402	57,578	2,575,451
Profit for the year	–	–	–	–	–	–	14,809	14,809
Other comprehensive income:								
Change in fair value of available-for-sale financial assets	–	–	–	–	573,096	–	–	573,096
Exchange differences arising on translation of PRC subsidiaries	–	–	–	–	–	90,222	–	90,222
Total other comprehensive income	–	–	–	–	573,096	90,222	–	663,318
Total comprehensive income for the year	–	–	–	–	573,096	90,222	14,809	678,127
Transactions with owners:								
Issue of shares under share option scheme	1,424	–	–	(353)	–	–	–	1,071
Issue of new shares upon a private placing	27,500	–	–	–	–	–	–	27,500
Total transactions with owners	28,924	–	–	(353)	–	–	–	28,571
At 31st December 2010	**36,691**	**20,190**	**234,621**	**30,398**	**2,363,238**	**524,624**	**72,387**	**3,282,149**

DIVIDENDS

The Board does not recommend the payment of a dividend for the year ended 31st December 2010 (the "Year") (2009: HK$Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover and Gross Profit

During the year under review, the total turnover and gross profit of the Group increased significantly by 99.9% and 116.3% to approximately HK$335.1 million and HK$52.8 million respectively for the Year as compared with 2009. This increase in turnover and gross profit was mainly due to the gradual recovery of the global economy, and the fruitful results of the Group's exploration and expansion of the PRC and overseas markets. As a result, the Group's turnover under Information Home Appliances (the "IHA") segment derived from the PRC and overseas markets for the Year increased remarkably to approximately HK$196.8 million and HK$80.7 million respectively representing significant increase of 69.1% and 223.3% as compared with last year.

Operating Results

Other Revenue and Net Income

Other revenue and net income of the Group increased significantly by 91.0% to approximately HK$33.2 million for the Year as compared with last year (2009: approximately HK$17.4 million). This was mainly due to the dividend income recorded by the Group from its indirect investment in 51 million A shares of Ping An Insurance (Group) Company of China Limited ("Ping An Insurance") of approximately HK$26.3 million for the Year (2009: approximately HK$8.7 million), which was a major contribution to the profit of the Group for the Year.

Operating Expenses

With the gradual recovery of the global economy, the Group actively expanded its products into the PRC and overseas markets which led to significant increase in its overall turnover in 2010. As a result, the Group's overall selling expenses increased by 45.1% to approximately HK$11.6 million as compared with last year. At the same time, the Group's general and administrative expenses for the Year slightly decreased by 1.9% to approximately HK$59.3 million as compared with last year.

Other Operating Expenses

Other operating expenses increased to approximately HK$2.5 million for the Year (2009: approximately HK$0.9 million). The main reason was that the Group recorded net unrealized losses on certain financial assets to approximately HK$0.7 million for the Year (2009: approximately HK$0.2 million).

Finance Costs

Finance costs of the Group increased to approximately HK$2.4 million for the Year (2009: approximately HK$0.9 million). Such increase in finance costs was due to an increase in short-term borrowings from banks for expansion and development of business of the Group during the year under review.

Profit for the Year

Due to the significant increase in the turnover of the Group, and the dividend income of approximately HK$26.3 million from the Group's indirect investment in 51 million A shares of Ping An Insurance for the Year (2009: approximately HK$8.7 million), the Group recorded a profit attributable to owners of the parent of approximately HK$14.8 million for the Year (2009: a loss attributable to owners of the parent of approximately HK$24.1 million).

Liquidity, Charge on Group Assets and Financial Resources

As at 31st December 2010, the Group had net current assets of approximately HK$122.4 million. The Group had cash and bank balances and pledged bank deposits of approximately HK$56.1 million and HK$8.7 million respectively. The Group's financial resources were funded mainly by its shareholders' funds, short-term bank loans and mortgage loans totaling approximately HK$61.2 million. As at 31st December 2010, the Group's current ratio, as calculated by dividing current assets by current liabilities, was 1.7 times and the gearing ratio, as measured by total liabilities divided by total equity, was 5.3%. Hence, as at 31st December 2010, the overall financial and liquidity positions of the Group remained at a stable and healthy level.

Capital Structure

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

Significant Investments/Material Acquisitions and Disposals

During the year under review, the Group completed the disposal of an unconsolidated subsidiary namely 北京聚聯富電子技術有限公司, details of which have been disclosed in note 27 to the consolidated financial statements included in the Group's 2009 annual report.

Apart from the above disposal, the Group had no significant investment and no material acquisition or disposal during the year.

Segment Information

The Group's star business segment is the IHA. The total turnover of the IHA segment for the Year increased significantly by 98.7% to approximately HK$331.5 million as compared with last year. This increase in turnover was mainly attributable to further expansion of Internet Protocol Television ("IPTV") business in the PRC market in 2010. Consequently, the turnover of the IHA segment in the PRC market increased significantly by 69.1% to approximately HK$196.8 million for the Year as compared with last year. In addition, the Group has been actively strengthening its connections with leading telecom operators in many parts of the world and establishing partnerships with them. As a result, turnover of the IHA segment in overseas markets for the Year recorded at approximately HK$80.7 million, representing a remarkably increase of 223.3% as compared with last year. Moreover, due to the improvement in marketing and selling activities of a major customer under the IHA segment in Hong Kong market, the turnover of the IHA segment in the Hong Kong market also increased significantly by 111.3% to approximately HK$53.8 million for the Year. Meanwhile, the gross profit of the IHA segment for the Year increased by 103.4% to approximately HK$54.2 million as compared with 2009. Consequently, the Group recorded a profit of approximately HK$5.8 million in the IHA segment for the Year (2009: a loss of approximately HK$10.9 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 increased significantly by 132.4% to approximately HK$26.4 million for the Year as compared with last year (2009: approximately HK$11.3 million). The main reason for this increase was that the Group recorded the dividend income of approximately HK$26.3 million from its indirect investment in 51 million A shares of Ping An Insurance for the Year (2009: approximately HK$8.7 million).

In respect of the Group's trading segment, because of the lack of new breakthrough in recent years, the Group recorded a loss of approximately HK$1.7 million for the Year (2009: approximately HK$2.2 million). As to the other operations segment of the Group, due to the increase in the rental income from leasing out properties of the Group, the result of this segment increased by 29.7% to approximately HK$2.0 million for the Year as compared with 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 was increased significantly by 71.1% to approximately HK$200.6 million as compared with last year. This increase was mainly attributable to the expansion of the Group's IA business into more provinces and cities in the PRC during the year under review. At the same time, the turnover generated from overseas and Hong Kong markets also increased significantly by 223.3% and 111.3% to approximately HK$80.7 million and 53.8 million respectively for the Year as compared with 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 and no hedging or other alternative measures have been implemented by the Group. As at 31st December 2010, the Group had no significant exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

Human Resources

As at 31st December 2010, the Group had over 560 (2009: over 530) full time employees, of which 12 (2009: 12) were based in Hong Kong and the rest were in the PRC. Staff costs of the Group amounted to approximately HK$44.6 million for the Year (2009: approximately HK$38.0 million). This increase in staff costs was mainly due to the increase in number of employees and the increase in salary of employees during the year under review. 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 option schemes.

Contingent Liabilities

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 Company 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) Company Limited ("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 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 Sanshui District, Foshan City, Guangdong Province (the "Court of Sanshui") 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 Sanshui 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 Company Limited ("JI") from the Court of Sanshui. The Group has been notified in August of 2009 that the Actions have been transferred from the Court of Sanshui to the Intermediate People's Court of Foshan, Guangdong Province (the "Intermediate Court of Foshan").

On 20th October 2009, the Group was notified by JI that the Intermediate Court of Foshan 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 (see note 9 to the consolidated financial statements as set out in this announcement). According to the legal opinion dated 17th March 2011 from the Group's PRC lawyers, Golden Yuxing is entitled to receive the dividend from JI but the suspension of the dividend payment is still in force. As the above freezing order will expire on 6th September 2011, the dividend receivable from JI amounting to approximately HK$36.0 million was classified as current asset as at 31st December 2010 (2009: approximately HK$8.7 million was classified as non-current asset).

On 11th January 2011, the Group received five civil judgments all dated 30th December 2010 from Intermediate Court of Foshan which ruled that JLB Group was awarded damages of total amount of approximately RMB96.2 million together with interests and costs to be borne by defendants including Mr. Zhang Hai, Beijing Yuxing Software Company Limited, Golden Yuxing, Foshan Zhixing and Shenzhen Sheng Bang. The Company has filed an appeal to the Higher People's Court of the Guangdong Province in the PRC (the "Guangdong Higher Court") against the said judgements in January 2011, and now such judgements have no legal effect and which will be replaced by the final judgement from the appeal. In the circumstance, none of the wholly-owned subsidiaries of the Group which are named as defendants in the judgements stated above will be required to satisfy the judgements and pay the damages together with interests and costs awarded by the Intermediate Court of Foshan.

As at 31st December 2010, certain cash and bank balances of the Group with carrying value of approximately HK$1.1 million (2009: approximately HK$1.0 million) were frozen by the Intermediate Court of Foshan.

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. Therefore, no provision for damages and the related interests and costs is considered necessary.

Pending Litigation

In 2007, JLB Group lodged a petition with the Guangdong Higher Court to institute a civil action against Golden Yuxing as purchaser and Sanshui Jianlibao Health Industry Investment Company Limited ("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 with Golden Yuxing 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 transfer 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 was awarded a judgment dated 23rd December 2008 from the Guangdong Higher Court which ruled that (1) the Acquisition and the registration of the transfer of the related equity interest in JI were legally valid; (2) the claim submitted by the JLB Group to invalidate the Acquisition was rejected; and (3) 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 PRC (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.

On 22nd June 2010, the Group received summons dated 10th June 2010 from the Guangdong Higher Court which summoned Golden Yuxing to the court to respond to hearings scheduled on 25th June 2010. The Company has instructed its PRC lawyers to respond to the hearings. As at the date of this announcement, no 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 evidence which sufficiently ascertain their 36.66% ownership on the equity interest in JI and therefore no provision is considered necessary.

BUSINESS REVIEW

Being one of the pioneers engaging in the research and development ("R&D") of broadband set-top boxes, the Group has been focusing on the IPTV and home broadband entertainment markets for ten years. Today, with the favorable policy promoting the integration of three nets (telecome net, broadcast & TV net, as well as Internet) in the PRC and the global economic recovery, the IPTV set-top boxes business, as the Group's principal business, has stepped into a sound momentum of development and reached a new step and successfully tapped into the international market. The overall sales for the Year amounted to approximately HK$335.1 million, representing significant increase of 99.9% as compared with last year.

Being one of the leading IPTV terminal suppliers, the Group has a strong software and hardware R&D team of IPTV set-top boxes. In hardware design, we had accumulated rich experiences, our products covered single-mode IPTV set-top boxes, dual-mode IP + DVB-C/S/S2/T/T2, etc. series of set-top boxes, and we had flexibly customized a series of high-end and multi-function set-top boxes with DVR/media players according to customers' needs. The Group has attached great importance to the R&D of the software and possessed the leading IPTV video, data and network application technology. In addition, the Group had completed the compatibility of technologies with advanced intermediary software manufacturers at domestic and aboard, such as Huawei Technologies Company Limited, Orca Interactive Limited, Ericsson (China) Communications Company Limited and Cascade Limited. Currently, the Group has a large number of cross-platform codes with independent intellectual property rights and can quickly build products on the brand-new platform. Moreover, the Group has more than 50 set-top boxes related customized versions and also diverse customized versions of the software. These products now serve more than 20 operators in 16 countries from Asia, Europe, Australia and North America, with cumulative shipments of more than 2.5 million units up to now. Meanwhile, the Group is a key partner with the world's leading telecom operators, including, China United Network Communications Group Company Limited, Telefonica, France Telecom and PCCW Limited, etc.

To vigorously develop the IPTV business, the Group made a series of adjustments, and gave priority to improving production and supplier management, and at the same time introduced the Enterprise Resources Planning Management System to strengthen assessment. This has cast significant effects on lowering costs and enhancing products competitiveness, thereby laying a solid foundation for the Group's stable growth.

During the year under review, the Group's domestic IPTV business, after a successful preliminary trial, has begun providing various kinds of TV services based on telecom transmission. Through cooperation with the biggest provider of telecom equipment and systems in the PRC, the Group has successfully penetrated its set-top boxes into a number of key markets such as Guangdong, Hubei, Sichuan, Shanxi, Liaoning, Shanghai and Chongqing. By virtue of these continuing developments, the Group's turnover in the PRC market under IHA segment for the Year increased by 69.1% to approximately HK$196.8 million as compared with last year.

For the international market, the Group has successfully penetrated the markets into Spain, Australia, Belgium and Russia while maintaining satisfactory partnership with the existing telecom operators and system integration suppliers with secured product supply, as a result of which, the turnover of the Group for the Year in the international market increased by 223.3% to approximately HK$80.7 million as compared with last year.

While the turnover in Hong Kong market for the Year increased by 111.3% to approximately HK$53.8 million as compared with last year. During the year, the Group had completed its R&D effort in providing technical support to one of its Hong Kong customers in its product upgrading and function integration. With the newly-developed products for 2010 continuously introducing to the market, the Group's new generation of HD products will bring better entertainment experience to its customers.

In relation to the claim submitted by JLB Group regarding the Acquisition, the Group has received summons dated 10th June 2010 from the Guangdong Higher Court on 22nd June 2010, which summoned Golden Yuxing to the court to respond to hearings scheduled on 25th June 2010. The Company has instructed its PRC lawyers to respond to the hearings, and there is no further judgement from Guangdong Higher Court as at the date of this announcement.

Besides, according to our announcement dated 22nd October 2009, Intermediate Court of Foshan 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 17th March 2011 from the Group's PRC lawyers, Golden Yuxing is entitled to receive the dividend from JI but the suspension of the dividend payment is still in force.

BUSINESS PROSPECT

In the future, the global IPTV market will enter into a stage of stable growth, and especially in the PRC, a brighter prospect can be anticipated with the further amalgamation of the three nets.

The Group's IHA business, after ten years' development, has built up extensive experience and human resources in respect of product feature design, core technology R&D, quality control and customer service. Besides establishing in a number of locations in the PRC, the Group has snatched the leading position in some of the well-developed markets in the international market. With the further expansion of the IPTV market, the Group's business will certainly have a brighter future.

For the domestic market, the Group has had a good start in certain local markets. With the accelerated promotion of IPTV application across the country by the telecom operators, the Group will make the most of the opportunities and aggressively penetrate the emerging markets while consolidating the existing customer base. The Group is fully optimistic over the future of the domestic market.

As for the international market, the Group will adhere to the existing principles and aggressively explore opportunities for cooperation with small and medium size telecom operators while maintaining close partnership with global telecom operators in 2011, aiming at penetrating even more regional markets and providing its customers with products of greater quality and more advanced technology.

As for the Hong Kong market, the Group is expecting even better performance in the coming year, by continuously participating in the marketing campaign of one of its local customers in Hong Kong and launching new products to cater for its clients' demands.

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

The auditor expresses an unqualified opinion but modify the auditor's report by adding emphasis of matters which the auditor draws attention to the following uncertainty:

We draw attention to note 30 to the consolidated financial statements of the Group's 2010 annual report concerning the uncertainty related to the possible outcome of an appeal made by the Group to the Guangdong Higher Court against the decision of the Intermediate Court of Foshan for ordering the Group to pay damages in an aggregate amount of approximately RMB96,200,000 and related interests and costs for infringing the interest of a third party. Upon advice from the Group's PRC lawyers, the directors consider that the order has no legal effect following the appeal and the claim submitted by the plaintiff is based on unsubstantiated and invalid grounds. Therefore, no provision for damages and the related interests and costs is necessary. Therefore, the consolidated financial statements of the Group do not include any adjustment that would result from the outcome of the lawsuit. We consider that appropriate disclosures have been made and our opinion is not qualified in this respect.

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 held four meetings during the current financial year. The Group's audited annual results for the year ended 31st December 2010 have 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 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 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, 24th March 2011

* *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 and on the website of the Company at www.yuxing.com.cn for at least 7 days from the date of its publication.