YUXING INFOTECH INVESTMENT HOLDINGS LIMITED
裕興科技投資控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8005)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER 2011

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

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

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

This announcement, for which the directors (the "Directors") of Yuxing InfoTech Investment 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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HIGHLIGHTS FOR THE YEAR ENDED 31ST DECEMBER 2011

- For the year ended 31st December 2011, turnover of the Group increased significantly by 82.1% to approximately HK$610.1 million as compared with last year.
- For the year ended 31st December 2011, gross profit of the Group increased significantly by 64.4% to approximately HK$86.8 million as compared with last year.
- Profit attributable to owners of the parent for the year ended 31st December 2011 amounted to approximately HK$34.0 million, representing an increase of 129.5% as compared with last year.
- Basic earnings per share for the year ended 31st December 2011 was HK1.96 cents (2010: HK0.90 cent).
- Total equity attributable to owners of the parent as at 31st December 2011 was approximately HK$2,261.7 million (2010: approximately HK$3,325.5 million) or net assets per share of HK$1.30 (2010: HK$1.92).
- The Board does not recommend the payment of a dividend for the year ended 31st December 2011.

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 2011, 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 2011

	Notes	**2011** **HK$'000**	2010 *HK$'000*
Turnover	*3*	**610,144**	335,099
Cost of sales		**(523,306)**	(282,269)
Gross profit		**86,838**	52,830
Other revenue and net income	*4*	**39,951**	33,223
Distribution and selling expenses		**(15,996)**	(11,550)
General and administrative expenses		**(61,883)**	(59,263)
Other operating expenses		**(12,310)**	(2,538)
Fair value gains on investment properties		**3,180**	4,650
Profit from operations	*5*	**39,780**	17,352
Finance costs	*6*	**(4,428)**	(2,353)
Profit before taxation		**35,352**	14,999
Taxation	*7*	**(1,368)**	(190)
Profit attributable to owners of the parent		**33,984**	14,809
Earnings per share	*8*		
– Basic		**1.96 cents**	0.90 cent
– Diluted		**1.93 cents**	0.89 cent

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2011

	2011	2010
	HK$'000	*HK$'000*
Profit attributable to owners of the parent	**33,984**	14,809
Other comprehensive (loss)/income:		
Change in fair value of available-for-sale financial assets	**(1,259,750)**	573,096
Exchange differences arising on translation of PRC subsidiaries	**161,663**	90,222
Other comprehensive (loss)/income for the year	**(1,098,087)**	663,318
Total comprehensive (loss)/income attributable to owners of the parent	**(1,064,103)**	678,127

CONSOLIDATED BALANCE SHEET

As at 31st December 2011

	Notes	As at 31st December 2011 HK$'000	As at 31st December 2010 HK$'000
NON-CURRENT ASSETS			
Investment properties		**36,300**	33,120
Property, plant and equipment		**97,762**	94,704
Prepaid lease payments		**13,515**	13,240
Available-for-sale financial assets	*9*	**1,954,113**	3,062,027
		2,101,690	3,203,091
CURRENT ASSETS			
Inventories		**95,753**	70,763
Trade and other receivables	*10*	**208,886**	112,496
Prepaid lease payments		**382**	364
Dividend receivable		**72,345**	35,962
Financial assets at fair value through profit or loss		**12,421**	15,038
Pledged bank deposits		**13,607**	8,680
Cash and bank balances		**70,490**	56,139
		473,884	299,442
CURRENT LIABILITIES			
Trade and other payables	*11*	**206,920**	115,650
Bank loans		**105,978**	61,185
Tax payable		**1,002**	194
		313,900	177,029
NET CURRENT ASSETS		**159,984**	122,413
NET ASSETS		**2,261,674**	3,325,504
CAPITAL AND RESERVES			
Share capital	*12*	**43,378**	43,355
Reserves	*13*	**2,218,296**	3,282,149
TOTAL EQUITY		**2,261,674**	3,325,504

Notes:

1. **BASIS OF PREPARATION**

These consolidated 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 consolidated 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 consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2010 consolidated financial statements. The adoption of the following new/revised HKFRSs which are relevant to the Group and effective from the current year had no significant effects on the Group's results and financial position for the current and prior years.

HKAS 24 (Revised) – Related Party Disclosures

HKAS 24 was revised to include a new definition of related party and to provide a partial exemption from the disclosure requirements in relation to related party transactions and outstanding balances, including commitments, with:

(a) a government that has control, joint control or significant influence over the reporting entity; and

(b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

The Group adopted the new definition in its accounting policies but such adoption does not have an effect on the disclosures made in the consolidated financial statements.

Improvements to HKFRSs 2010 – Improvements to HKFRSs 2010

The improvements comprise a number of improvements to Standards of which Amendments to HKAS 1 (Revised): *Presentation of Financial Statements: Clarification of consolidated statement of changes in equity* is considered to be relevant to the Group. The Amendments clarify that the reconciliation of each component of other comprehensive income may be presented either in the consolidated statement of changes in equity or in the notes to the financial statements. The Group has decided to continue presenting the reconciliation in the consolidated statement of changes in equity and such adoption does not have any effect on the disclosures made in the consolidated financial statements.

2. **FUTURE CHANGES IN HKFRSs**

At the date of authorisation of these consolidated 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.

Inter-segment sales transactions are charged at prevailing market rates.

Business segments

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

For the year ended 31st December 2011

	Information home appliances *HK$'000*	Investing *HK$'000*	Trading *HK$'000*	Other operations *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
TURNOVER						
External sales	609,292	–	852	–	–	610,144
Inter-segment sales	–	–	12,365	–	(12,365)	–
OTHER REVENUE AND NET INCOME	743	34,170	51	6,412	(2,352)	39,024
Total	610,035	34,170	13,268	6,412	(14,717)	649,168
RESULTS						
Segment results	22,980	24,512	(298)	2,905	–	50,099
Unallocated corporate income						380
Interest income						547
Fair value gain on investment properties						3,180
Other unallocated corporate expenses						(14,426)
Profit from operations						39,780
Finance costs						(4,428)
Profit before taxation						35,352
Taxation						(1,368)
Profit for the year						33,984

As at 31st December 2011

	Information home appliances *HK$'000*	Investing *HK$'000*	Trading *HK$'000*	Other operations *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
ASSETS						
Segment assets	**454,278**	**2,040,440**	**5,662**	**53,657**	**–**	**2,554,037**
Unallocated corporate assets					**21,537**	**21,537**
Consolidated total assets						**2,575,574**
LIABILITIES						
Segment liabilities	**283,824**	**1,228**	**3,365**	**11,466**	**–**	**299,883**
Unallocated corporate liabilities					**14,017**	**14,017**
Consolidated total liabilities						**313,900**
OTHER INFORMATION						
Capital additions	**6,458**	**–**	**–**	**–**	**63**	**6,521**
Depreciation and amortisation	**6,691**	**–**	**455**	**513**	**280**	**7,939**
Impairment on inventories	**35**	**–**	**322**	**–**	**–**	**357**
Reversal of write-down of inventories	**–**	**–**	**(380)**	**–**	**–**	**(380)**
Impairment in respect of trade receivables	**47**	**–**	**9**	**–**	**–**	**56**
Reversal of impairment on trade receivables	**–**	**–**	**(68)**	**–**	**–**	**(68)**
Impairment on other receivables	**3,857**	**–**	**–**	**–**	**–**	**3,857**

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)	–
OTHER REVENUE AND NET 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

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

Geographical information

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

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**	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC	**393,868**	200,624	**108,151**	104,615
Hong Kong	**62,982**	53,800	**39,426**	36,449
Russia	**97,810**	26,048	**–**	–
Other overseas markets	**55,484**	54,627	**–**	–
	610,144	335,099	**147,577**	141,064

In addition to the information disclosed above, the Group generated other revenue and net income from information home appliances segment of approximately HK$600,000 *(2010: approximately HK$973,000)* and approximately HK$143,000 *(2010: approximately HK$1,411,000)* in the PRC and Hong Kong respectively, and the Group generated other revenue and net income from investing segment of approximately HK$33,823,000 *(2010: approximately HK$25,949,000)* and approximately HK$347,000 *(2010: approximately HK$1,087,000)* in the PRC and Hong Kong respectively.

The Group also generated other revenue and net income from trading segment of approximately HK$51,000 *(2010: approximately HK$180,000)* in the PRC, and the Group generated other revenue and net income from other operations segment of approximately HK$2,780,000 *(2010: approximately HK$1,148,000)* and approximately HK$1,280,000 *(2010: approximately HK$1,200,000)* 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:

	2011	2010
	HK$'000	*HK$'000*
Customer A	**392,854**	191,426
Customer B	**62,980**	44,795
Customer C	**97,810**	–
	553,644	236,221

4. OTHER REVENUE AND NET INCOME

	2011	2010
	HK$'000	*HK$'000*
Other revenue		
Dividend income from unlisted securities	**33,807**	26,340
Dividend income from listed securities	**363**	91
Interest income	**547**	475
Rental income from investment properties	**1,280**	1,200
Rental income from buildings	**2,780**	1,148
Sundry income	**1,106**	2,893
	39,883	32,147
Other net income		
Gains on disposal of financial assets at fair value through profit or loss	**–**	605
Reversal of impairment on trade receivables	**68**	70
Recovery of bad debts previously written off	**–**	401
	68	1,076
	39,951	33,223

5. PROFIT FROM OPERATIONS

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

	2011	2010
	HK$'000	*HK$'000*
Auditor's remuneration	**995**	963
Impairment in respect of trade receivables	**56**	38
Impairment on other receivables	**3,857**	400
Amortisation of prepaid lease payments	**372**	355
Depreciation of property, plant and equipment	**7,567**	7,178
Cost of inventories	**523,306**	282,269
Foreign exchange loss	**1,066**	693
Loss on disposal of property, plant and equipment	**193**	29
Reversal of write-down of inventories*	**(380)**	(5,573)
Reversal of impairment in respect of trade receivables	**(68)**	(70)
Impairment on inventories	**357**	5,148
Loss/(Gains) on disposal of financial assets at fair value through profit or loss	**4,014**	(605)
Net unrealised holding loss on financial assets at fair value through profit or loss	**5,612**	683
Direct outgoings from leasing of investment properties	**8**	11
Operating lease charges on premises	**3,654**	2,902
Research and development costs	**842**	1,930
Staff costs (including Directors' emoluments):		
Salaries and allowances	**55,179**	40,621
Retirement benefits scheme contributions	**6,287**	3,968
Total staff costs	**61,466**	44,589

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

6. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Interest on bank loans wholly repayable within five years	**4,084**	1,981
Interest on bank loans wholly repayable over five years	**344**	372
Total borrowing costs	**4,428**	2,353

7. TAXATION

The taxation charged to profit or loss represents:

	2011 HK$'000	2010 HK$'000
Current tax		
Hong Kong profits tax	**187**	–
PRC enterprise income tax	**1,181**	190
	1,368	190
Deferred taxation		
Origination and reversal of temporary difference	**(144)**	(252)
Benefit of tax losses recognised	**144**	252
	–	–
Charge for the year	**1,368**	190

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profit from Hong Kong for 2011. No Hong Kong Profits Tax has been provided for 2010 as the Group did not have any assessable profit from Hong Kong.

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 2011 and 2010 based on existing legislation, interpretations and practices in respect thereof.

8. EARNINGS PER SHARE

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

	2011	2010
	HK$'000	*HK$'000*
Profit attributable to owners of the parent	**33,984**	14,809

	2011	2010
	'000	*'000*
Issued ordinary shares at 1st January	**1,734,200**	1,630,272
Effect of share options exercised	**175**	314
Issue of new shares upon a private placing	**–**	12,603
Weighted average number of ordinary shares for basic earnings per share	**1,734,375**	1,643,189
Effect of dilutive potential ordinary shares:		
Exercise of share options	**29,019**	15,406
Weighted average number of ordinary shares for diluted earnings per share	**1,763,394**	1,658,595
Earnings per share:		
– Basic	**1.96 cents**	0.90 cent
– Diluted *(Note)*	**1.93 cents**	0.89 cent

Note: The calculation of diluted earnings per share for the year ended 31st December 2011 is based on the profit attributable to owners of the parent of approximately HK$33,984,000 *(2010: approximately HK$14,809,000)*, and the weighted average number of ordinary shares issued during the year of approximately 1,734,375,000 *(2010: 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.

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2011	2010
	HK$'000	*HK$'000*
Unlisted equity securities, at fair value		
– Equity interest in Gongbujiangda Jiangnan Industrial Development Co., Ltd (formerly known as Shenzhen Jiangnan Industrial Development Company Limited) ("JI") *(Note)*	**1,954,113**	3,062,027

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 in JI 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 was released on 14th October 2011.

The Intermediate People's Court of Foshan, Guangdong Province (the "Intermediate Court of Foshan") 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. The Group was further notified by the Higher People's Court of the Guangdong Province (the "Guangdong Higher Court") and handed down a judgement on 31st October 2011 ruling that the moratorium on the above 16.5329% equity interest in JI would be extended to 3rd December 2012.

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 2011, the equity interest in JI held by the Group was revalued by Vigers Appraisal & Consulting Limited which are independent qualified professional valuers not connected with the Group and with appropriate qualifications, to approximately RMB1,584,200,000 (equivalent to approximately HK$1,954,113,000) *(2010: approximately RMB2,605,478,000 (equivalent to approximately HK$3,062,027,000))*. The valuation was arrived at by reference to the PRC financial statements of JI as at 31st December 2011 and adjusted by the market value of 51,000,000 Ping An Shares as at 31st December 2011. In determining the market value of Ping An Shares, the impact on the freezing order as detailed in Contingent Liabilities under Management Discussion and Analysis section has been taken into consideration by using the Discount For Lack Of Marketability model. The Group recorded a revaluation deficit on the interests in JI of approximately RMB1,021,278,000 (equivalent to approximately HK$1,259,750,000) *(2010: revaluation surplus of approximately RMB487,647,000 (equivalent to approximately HK$573,096,000))* as at 31st December 2011.

10. TRADE AND OTHER RECEIVABLES

	2011	2010
	HK$'000	*HK$'000*
Trade and bills receivables	**179,990**	94,727
Less: Impairment in respect of trade receivables	**(4,388)**	(4,771)
	175,602	89,956
Other receivables	**27,006**	16,386
Prepayments and deposits	**6,278**	6,154
	208,886	112,496

All 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 *(2010: 30 to 120 days)*. The ageing analysis of trade and bills receivables (net of impairment) by delivery date at the balance sheet date is as follows:

	2011	2010
	HK$'000	*HK$'000*
0-30 days	**99,390**	48,219
31-60 days	**54,980**	29,066
61-90 days	**18,069**	8,457
Over 90 days	**3,163**	4,214
	175,602	89,956

11. TRADE AND OTHER PAYABLES

	2011	2010
	HK$'000	*HK$'000*
Trade payables *(Note)*	**165,380**	86,017
Other payables	**16,651**	8,265
Accruals	**24,889**	21,368
	206,920	115,650

Note:

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

	2011	2010
	HK$'000	*HK$'000*
0-30 days	**64,839**	41,707
31-60 days	**48,134**	21,856
61-90 days	**27,618**	10,212
Over 90 days	**24,789**	12,242
	165,380	86,017

12. SHARE CAPITAL

	Number of shares		**Amount**	
	31st December 2011	31st December 2010	**31st December 2011**	31st December 2010
	'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	**1,734,200**	1,630,272	**43,355**	40,757
Exercise of share options *(Note)*	**920**	3,928	**23**	98
Issue of new shares upon a private placing	**–**	100,000	**–**	2,500
At end of year				
Ordinary shares of HK$0.025 each	**1,735,120**	1,734,200	**43,378**	43,355

Note: For the year ended 31st December 2011, 920,000 *(2010: 3,928,000)* ordinary shares of HK$0.025 each were issued at total amount of approximately HK$273,000 *(2010: approximately HK$1,169,000)* 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$'000*	Share option reserves *HK$'000*	Investment revaluation reserves *HK$'000*	Translation reserves *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
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 and at 1st January 2011	36,691	20,190	234,621	30,398	2,363,238	524,624	72,387	3,282,149
Profit for the year	–	–	–	–	–	–	33,984	33,984
Other comprehensive loss:								
Change in fair value of available-for-sale financial assets	–	–	–	–	(1,259,750)	–	–	(1,259,750)
Exchange differences arising on translation of PRC subsidiaries	–	–	–	–	–	161,663	–	161,663
Total other comprehensive loss	–	–	–	–	(1,259,750)	161,663	–	(1,098,087)
Total comprehensive loss for the year	–	–	–	–	(1,259,750)	161,663	33,984	(1,064,103)
Transactions with owners:								
Issue of shares under share option scheme	312	–	–	(62)	–	–	–	250
Total transactions with owners	312	–	–	(62)	–	–	–	250
At 31st December 2011	**37,003**	**20,190**	**234,621**	**30,336**	**1,103,488**	**686,287**	**106,371**	**2,218,296**

DIVIDENDS

The Board does not recommend the payment of a dividend for the year ended 31st December 2011 (the "Year") (2010: HK$Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover and Gross Profit

During the year under review, the Group's business achieved remarkable performance, with the total turnover and gross profit of the Group increased significantly by 82.1% and 64.4% to approximately HK$610.1 million and HK$86.8 million respectively for the Year as compared with 2010. This increase in turnover and gross profit was mainly attributable to the rapid growth of the global Internet Protocol Television ("IPTV") market as well as rebound of the PRC domestic market, which together with the right positioning of the Group's products, had successfully captured the demand of users. 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$393.0 million and HK$153.3 million respectively representing significant increase of 99.7% and 90.0% as compared with last year.

Operating Results

Other Revenue and Net Income

Other revenue and net income of the Group increased by 20.3% to approximately HK$40.0 million for the Year as compared with last year (2010: approximately HK$33.2 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 Shares") of approximately HK$33.8 million for the Year (2010: approximately HK$26.3 million), which was a major contribution to the profit of the Group for the Year.

Operating Expenses

During the year under review, the Group actively expanded its products into the PRC and overseas markets which led to significant increase in its overall turnover in 2011. As a result, the Group's overall selling expenses increased by 38.5% to approximately HK$16.0 million for the Year as compared with last year. At the same time, the Group's general and administrative expenses for the Year slightly increased by 4.4% to approximately HK$61.9 million as compared with last year.

Other Operating Expenses

Other operating expenses increased to approximately HK$12.3 million for the Year (2010: approximately HK$2.5 million). The main reason was that the Group recorded net realised and unrealized losses on certain financial assets to approximately HK$9.6 million for the Year (2010: net unrealized losses on certain financial assets approximately HK$0.7 million).

Finance Costs

Finance costs of the Group increased to approximately HK$4.4 million for the Year (2010: approximately HK$2.4 million). Such increase in finance costs was due to an increase in short-term borrowings from banks for expansion and development the 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$33.8 million from the Group's indirect investment in 51 million Ping An Shares for the Year (2010: approximately HK$26.3 million), the Group recorded a profit attributable to owners of the parent of approximately HK$34.0 million for the Year (2010: approximately HK$14.8 million).

Liquidity, Charge on Group Assets and Financial Resources

As at 31st December 2011, the Group had net current assets of approximately HK$160.0 million. The Group had cash and bank balances and pledged bank deposits of approximately HK$70.5 million and HK$13.6 million respectively. The Group's financial resources were funded mainly by short-term bank loans and mortgage loans totaling approximately HK$106.0 million and its shareholders' funds. As at 31st December 2011, the Group's current ratio, as calculated by dividing current assets by current liabilities, was 1.5 times and the gearing ratio, as measured by total liabilities divided by total equity, was 13.9%. Hence, as at 31st December 2011, 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 in this announcement.

Significant Investments/Material Acquisitions and Disposals

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 83.8% to approximately HK$609.3 million as compared with last year. During the year under review, the Group had continued to expand its market share by launching its various types of set-top boxes ("STB") into different provinces and municipals through the largest telecom equipment and system provider in the PRC. Consequently, a new sales record of the IHA segment in the PRC reached approximately HK$393.0 million for the Year, representing a surge of 99.7% 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 by getting involved in various tests and evaluations organized by them and establishing partnerships with them. As a result, overall turnover of the IHA segment in overseas markets for the Year amounted to HK$153.3 million, representing a significant increase of 90.0% as compared with last year. Especially, sales in Russia for the Year increased significantly by 275.5% to approximately HK$97.8 million as compared with last year. Meanwhile, with the improvement in marketing and selling activities of a Hong Kong customer, the turnover of the IHA segment in the Hong Kong market also increased by 17.1% from last year to approximately HK$63.0 million for the Year. At the same time, the gross profit of the IHA segment for the Year also increased by 59.9% to approximately HK$86.7 million as compared with the year 2010. Consequently, the Group recorded a profit of approximately HK$23.0 million in the IHA segment for the Year (2010: approximately HK$5.8 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 decreased by 7.0% to approximately HK$24.5 million for the Year as compared with last year (2010: approximately HK$26.4 million). The main reason for this decrease was that the Group recorded net realized and unrealized losses on certain financial assets totaling approximately HK$9.6 million for the Year (2010: net unrealized losses on certain financial assets approximately HK$0.7 million), offset by the increase in dividend income from its indirect investment in 51 million Ping An Shares by approximately HK$7.5 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$0.3 million for the Year (2010: approximately HK$1.7 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 46.4% to approximately HK$2.9 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 increased remarkably by 96.3% to approximately HK$393.9 million as compared with 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. At the same time, the turnover generated from Hong Kong market also increased by 17.1% to approximately HK$63.0 million for the Year as compared with last year, while sales in Russia market for the Year of approximately HK$97.8 million was recorded, representing a surge of 275.5% 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 relatively stable for the Year and no hedging or other alternative measure has been implemented by the Group. As at 31st December 2011, the Group had no significant exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

Human Resources

As at 31st December 2011, the Group had over 830 (2010: over 560) full time employees, of which 12 (2010: 12) were based in Hong Kong and the rest were in the PRC. Staff costs of the Group amounted to approximately HK$61.5 million for the Year (2010: approximately HK$44.6 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, an independent third party of the 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 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 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 Gongbujiangda Jiangnan Industrial Development Co., Ltd, (formerly known as Shenzhen Jiangnan Industrial Development Company Limited) ("JI") from the Court of Sanshui. The Group was 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. In October 2011, the Group was further notified by JI that the freezing period would be extended to September 2012 (see note 9 to the consolidated financial statements as set out in this announcement). According to the legal opinion dated 12th March 2012 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 in September 2012, the dividend receivable from JI amounting to approximately HK$72.3 million was classified as current asset as at 31st December 2011 (2010: approximately HK$36.0 million).

On 11th January 2011, the Group received five civil judgments all dated 30th December 2010 from the 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 ("Yuxing Software"), Golden Yuxing, Foshan Zhixing and Shenzhen Sheng Bang. The Company 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 will be superseded by the final judgement from the appeal. On 28th July 2011, the Company received summons dated 21st July 2011 from the Guangdong Higher Court, requiring Golden Yuxing, Yuxing Software, Foshan Zhixing and Shenzhen Sheng Bang, all being wholly-owned subsidiaries of the Company, to attend the court hearing of the appeals. The PRC lawyers of the Company attended the court hearing on 2nd August 2011. As at the date of this announcement, no judgement for the appeal has been received from the Guangdong Higher Court. 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 2011, certain cash and bank balances of the Group with carrying value of approximately HK$1.1 million (2010: approximately HK$1.1 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, the 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

After a decade's development, the Group's core business, the IPTV STB of the IHA segment, still flourished and took an advantage in the market. Especially in Asia-Pacific Region, where the Group held a leading position and achieved good development in the market. During the year under review, the Group's IPTV business enjoyed a rapid growth, with total turnover substantially increased by 82.1% to approximately HK$610.1 million for the Year as compared with last year.

Being one of the pioneers engaging in the research and development ("R&D") of broadband STB, the Group had a strong software and hardware R&D team of IPTV STB. In the field of hardware design, the Group had accumulated abundant experience, and the products covered a series of STB products including single-mode IPTV STB, dual mode IP+DVB-C/S/S2/T/T2, etc. The Group had flexibly customized a series of high-end and multi-function STB with DVR/media players according to customers' needs. Over the years, the Group had 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 (including Huawei Technologies Company Limited, Orca Interactive Ltd., Ericsson (China) Communications Company Limited and Cascade Limited, etc.) at domestic and abroad. The Group also has a large number of cross-platform codes with independent intellectual property rights and can quickly build products on the brand-new platform. Currently, the Group has more than 50 customized versions of STB, with a variety of customized software products serving more than 20 operators across Asia, Europe, Australia and North America.

Helped by accurate market position and advanced technology, the Group's products precisely meet users' needs. Benefited from the rapidly growing domestic market, the Group successfully launched, through cooperation with major PRC telecom equipment and system providers, various types of STB into areas including Guangdong Province, Hubei Province, Sichuan Province, Shanxi Province, Liaoning Province, Shanghai and Chongqing Municipalities, etc. As a result, the Group expanded its PRC market share and achieved a new sales record of approximately HK$393.0 million for the Year, up by 99.7% as compared with last year.

During the year under review, the global IPTV market improved constantly and the Group's products attained robust sales in overseas markets, with sales revenue amounting to approximately HK$153.3 million for the Year, up by 90.0% as compared with last year. The Group smoothly proceeded with its overseas market expansion to Russia, Australia, Spain, etc. and achieved good sales results due to our secured product supply. The Group maintained satisfactory partnership and technical cooperation with global leading intermediary software and application providers, which laid a solid foundation for quickly adapting to more customers in different regions and accommodating the diverse needs of telecom operators and system integration suppliers.

The Hong Kong market also achieved satisfactory growth with turnover derived from Hong Kong increasing by 17.1% to approximately HK$63.0 million for the Year as compared with last year. The Group implemented marketing strategy with a Hong Kong customer to continuously launch high digital STB products to the market so as to provide users with high-quality entertainment experience and online services.

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. Subsequently, on 27th October 2011, the Company was informed that the freezing period had been extended from September 2011 to September 2012. According to the legal opinion dated 12th March 2012 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

Being one of the world's leading IPTV terminal suppliers, the Group has a strong software and hardware R&D team of IPTV STB, which has been focusing on the IPTV and home broadband entertainment markets for ten years. Today, the global IPTV market has entered a steady growth stage, in particular the huge PRC and overseas markets are set to bring promising returns to the Group.

In response to the rapidly growing business needs, the Group has established a number of domestic and overseas sales and support service centres, thereby improving the timeliness and satisfaction in customer service continuously. Meanwhile, in order to vigorously develop the IPTV STB business, the Group has made a series of adjustments since 2010 with its focus on improving production and supplier management, and comprehensively introduced the Enterprise Resources Planning Management System as well as strengthened assessment. Currently, the benefits of these management improvement measures accrue gradually, having significant effects on lowering costs and enhancing products competitiveness, thereby laying a solid foundation for the Company's stable growth.

In the future, 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, aiming at penetrating even more regional markets internationally and domestically. The Group will also continue to enhance its core technology R&D and customer service to continually provide better products to its customers and partners, thereby making our products the favorite choice of more users.

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 29 to the consolidated financial statements concerning the uncertainty related to the possible outcome of an appeal made by the Group to the Higher People's Court of the Guangdong Province in the People's Republic of China against the decision of the Intermediate People's Court of Foshan, Guangdong Province 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. Accordingly, no provision for damages and the related interests and costs is necessary. Therefore, the consolidated financial statements of the Group do not include any adjustments 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 2011 have been reviewed by the Committee.

SCOPE OF WORK OF MAZARS CPA LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31st December 2011 have been agreed by the Group's auditor, Mazars CPA Limited ("Mazars"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Mazars in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars on this preliminary announcement.

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. 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 provisions of 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 Investment Holdings Limited
Zhu Wei Sha
Chairman

Hong Kong, 20th March 2012

* *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.