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 2007

Characteristics of The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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

* *For identification purposes only*

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HIGHLIGHTS FOR THE YEAR ENDED 31ST DECEMBER 2007

- For the year ended 31st December 2007, turnover of the Group declined by 87.9% to approximately HK$125.7 million as compared to last year. This was mainly due to the disposal of one of its subsidiaries in January 2007.
- For the year ended 31st December 2007, gross profit margin of the Group improved significantly from 7.2% to 24.0% as compared to last year.
- Profit attributable to equity holders of the Company for the year ended 31st December 2007 amounted to approximately HK$22.5 million, representing a significant increase of 29.6% as compared to last year.
- Basic earning per share for the year ended 31st December 2007 was HK1.40 cents.
- Total equity attributable to equity holders of the Company as at 31st December 2007 was approximately HK$4,196.3 million or net assets per share of HK$2.59.
- The Board of the Company does not recommend the payment of a final dividend for the year ended 31st December 2007.

RESULTS

The board of directors (the "Board") of the Company announces the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December 2007, together with the comparative figures for the previous year, prepared in accordance with generally accepted accounting principles in Hong Kong, as follows:

CONSOLIDATED INCOME STATEMENTS
For the year ended 31st December 2007

	Notes	**2007** **HK$'000**	2006 *HK$'000* (Restated)
Turnover	*3*	**125,730**	1,038,300
Cost of sales		**(95,561)**	(963,683)
Gross profit		**30,169**	74,617
Other revenue and net income	*4*	**55,752**	30,707
Distribution and selling expenses		**(4,875)**	(6,878)
General and administrative expenses		**(69,292)**	(82,740)
Other operating expenses		**(2,195)**	(1,369)
Fair value gain on investment properties	*10*	**2,900**	4,900
Profit from operations	*5*	**12,459**	19,237
Finance costs	*6*	**(3,093)**	(4,710)
Gain on disposal of subsidiaries		**13,873**	–
Profit before taxation		**23,239**	14,527
Taxation	*7*	**(726)**	(1,590)
Profit for the year		**22,513**	12,937
Attributable to:			
Equity holders of the Company		**22,513**	17,368
Minority interests		**–**	(4,431)
		22,513	12,937
Dividend	*8*	**–**	20,000
Earnings per share attributable to the equity holders of the Company	*9*		
– Basic		**1.40 cents**	1.09 cents
– Diluted		**1.34 cents**	1.08 cents

CONSOLIDATED BALANCE SHEET
As at 31st December 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Investment properties	10	**29,600**	26,700
Property, plant and equipment	11	**115,342**	114,338
Prepaid lease payments	12	**13,021**	12,444
Intangible assets		**–**	881
Available-for-sale financial assets	13	**3,954,047**	2,099,626
		4,112,010	2,253,989
CURRENT ASSETS			
Inventories		**22,916**	105,819
Trade and other receivables	15	**47,669**	98,091
Prepaid lease payments	12	**330**	308
Tax recoverable		**–**	751
Financial assets at fair value through profit or loss	14	**5,222**	6,653
Cash and bank balances		**90,960**	94,144
		167,097	305,766
CURRENT LIABILITIES			
Trade and other payables	16	**41,263**	194,106
Bank loans		**25,384**	40,003
Tax payable		**599**	–
Provision		**1,113**	–
		68,359	234,109
NET CURRENT ASSETS		**98,738**	71,657
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,210,748**	2,325,646
NON-CURRENT LIABILITIES			
Bank loans		**14,445**	5,328
		14,445	5,328
NET ASSETS		**4,196,303**	2,320,318
CAPITAL AND RESERVES			
Share capital	18	**40,528**	40,000
Reserves	19	**4,155,775**	2,264,823
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**4,196,303**	2,304,823
MINORITY INTERESTS		**–**	15,495
TOTAL EQUITY		**4,196,303**	2,320,318

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and included applicable disclosures required by the GEM Listing Rules and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments, which are measured at fair value.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following new standards, amendments and interpretations of Hong Kong Financial Reporting Standards ("new HKFRSs") issued by the HKICPA, which are effective for current accounting period.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions[2]
HK(IFRIC) – Int 12	Service Concession Arrangements[3]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

1 Effective for annual periods beginning on or after 1st January 2009
2 Effective for annual periods beginning on or after 1st March 2007
3 Effective for annual periods beginning on or after 1st January 2008
4 Effective for annual periods beginning on or after 1st July 2008

The Directors anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial report.

For management purposes, the Group is currently organised in a major operating segment – information home appliances. The segment is the basis on which the Group reports its primary segment information.

3. SEGMENT INFORMATION *(Continued)*

The Group's main business segment in 2007:

- Information home appliances – manufacture, sales and distribution of audio-visual products, information home appliances and complementary products to the consumer market.

The Group's two main business segments in 2006:

- Information home appliances – manufacture, sales and distribution of audio-visual products, information home appliances and complementary products to the consumer market;

- Electronic components – sales and distribution of electronic components.

Other operations of the Group mainly comprise selling miscellaneous products to business partners, none of which are of a sufficient size to be reported separately.

Business segments

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

For the year ended 31st December 2007

	Information home appliances *HK$'000*	Electronic components *HK$'000*	Other operations *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
TURNOVER					
External sales	**107,248**	**6,911**	**11,571**	**–**	**125,730**
Inter-segment sales*	**111,663**	**30,957**	**–**	**(142,620)**	**–**
Total	**218,911**	**37,868**	**11,571**	**(142,620)**	**125,730**
RESULTS					
Segment results	**4,733**	**(7,973)**	**(4,951)**	**–**	**(8,191)**
Unallocated corporate income					**55,662**
Fair value gain on investment properties					**2,900**
Other unallocated corporate expenses					**(37,912)**
Profit from operations					**12,459**
Finance costs					**(3,093)**
Gain on disposal of subsidiaries					**13,873**
Profit before taxation					**23,239**
Taxation					**(726)**
Profit for the year					**22,513**

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

3. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

As at 31st December 2007

	Information home appliances *HK$'000*	Electronic components *HK$'000*	Other operations *HK$'000*	Consolidated *HK$'000*
ASSETS				
Segment assets	**160,993**	**25,471**	**11,324**	**197,788**
Unallocated corporate assets				**4,081,319**
Consolidated total assets				**4,279,107**
LIABILITIES				
Segment liabilities	**14,769**	**11,647**	**735**	**27,151**
Unallocated corporate liabilities				**55,653**
Consolidated total liabilities				**82,804**
OTHER INFORMATION				
Capital additions	**1,541**	**259**	**565**	**2,365**
Depreciation and amortisation	**5,994**	**1,063**	**1,217**	**8,274**
Reversal of write-down of inventories	**(477)**	**(437)**	**–**	**(914)**
Impairment on bad and doubtful debts	**911**	**44**	**–**	**955**
Bad debts	**–**	**1,075**	**–**	**1,075**
Impairment on intangible assets	**169**	**–**	**–**	**169**

For the year ended 31st December 2006

	Information home appliances *HK$'000*	Electronic components *HK$'000*	Other operations *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
TURNOVER					
External sales	186,549	833,574	18,177	–	1,038,300
Inter-segment sales*	214,635	99,639	–	(314,274)	–
Total	401,184	933,213	18,177	(314,274)	1,038,300
RESULTS					
Segment results	21,212	(15,986)	(3,389)	–	1,837
Unallocated corporate income					34,859
Fair value gain on investment properties					4,900
Other unallocated corporate expenses					(22,359)
Profit from operations					19,237
Finance costs					(4,710)
Profit before taxation					14,527
Taxation					(1,590)
Profit for the year					12,937

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

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

Business segments *(Continued)*

As at 31st December 2006

	Information home appliances *HK$'000*	Electronic components *HK$'000*	Other operations *HK$'000*	Consolidated *HK$'000*
ASSETS				
Segment assets	164,628	200,725	8,331	373,684
Unallocated corporate assets				2,186,071
Consolidated total assets				2,559,755
LIABILITIES				
Segment liabilities	23,544	159,276	786	183,606
Unallocated corporate liabilities				55,831
Consolidated total liabilities				239,437
OTHER INFORMATION				
Capital additions	2,602	2,181	123	4,906
Depreciation and amortisation	5,657	1,963	1,717	9,337
Write-down of inventories	5,677	8,936	–	14,613
(Reversal of impairment on)/impairment on bad and doubtful debts	(145)	15,674	–	15,529

Geographical segments

The Group's information home appliances division is located in the People's Republic of China (other than Hong Kong) (the "PRC") and its products are also distributed in the PRC, Hong Kong and other countries. Other operations of the Group are mainly located in the PRC.

The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods:

	Turnover	
	2007	2006
	HK$'000	*HK$'000*
The PRC	**23,201**	744,505
Hong Kong	**81,400**	242,323
Other countries	**21,129**	51,472
	125,730	1,038,300

3. SEGMENT INFORMATION *(Continued)*

Geographical segments *(Continued)*

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		
The PRC	**163,384**	169,056	**2,187**	3,351
Hong Kong	**34,404**	204,628	**178**	1,555
	197,788	373,684	**2,365**	4,906

4. OTHER REVENUE AND NET INCOME

	2007	2006
	HK$'000	*HK$'000*
Other revenue		
Dividend income from unlisted securities	**21,978**	15,943
Dividend income from listed securities	**158**	40
Foreign exchange gain	**3,074**	–
Interest income	**1,215**	2,503
Rental income from investment properties	**996**	996
Reversal of impairment on an ex-associate	**2,019**	–
Reversal of impairment on other receivables	**7,412**	–
Sundry income	**5,575**	7,378
	42,427	26,860
Other net income		
Gain on disposal of property, plant and equipment	**–**	4
Gains on disposal of financial assets at fair value through profit or loss	**11,857**	1,935
Net unrealised holding gains on financial assets at fair value through profit or loss	**1,468**	1,908
	13,325	3,847
	55,752	30,707

5. PROFIT FROM OPERATIONS

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

	2007 *HK$'000*	2006 *HK$'000*
Auditors' remuneration	**1,000**	920
Under provision of auditors' remuneration in prior year	**20**	–
Impairment on bad and doubtful debts	**955**	15,529
Amortisation of intangible assets	**204**	768
Amortisation of prepaid lease payments	**317**	301
Depreciation of property, plant and equipment	**7,753**	8,268
Cost of inventories	**95,561**	963,683
Foreign exchange loss	**363**	–
Loss on disposal of property, plant and equipment	**48**	90
Gain on disposal of subsidiaries	**(13,873)**	–
Bad and doubtful debts	**1,075**	–
(Reversal of write-down of inventories*)/Write-down of inventories	**(914)**	14,613
Impairment loss on intangible assets	**169**	–
Direct outgoings from leasing of investment properties	**304**	352
Operating lease charges	**2,333**	–
Research and development costs	**989**	7,998
Staff costs (include Directors' emolument)		
Salaries and allowances	**16,535**	22,568
Share option benefits	**18,656**	139
Retirement scheme contributions	**2,825**	2,188
Total staff costs	**38,016**	24,895

* *The reversal of write-down of inventories arose from disposal of inventories which was written-down in prior year.*

6. FINANCE COSTS

	2007 *HK$'000*	2006 *HK$'000*
Interest on loans wholly repayable within five years:		
– Bank loans	**2,800**	3,939
– Loan from a subsidiary's director	**–**	394
– Obligations under finance leases	**–**	49
	2,800	4,382
Interest on bank loans repayable over five years	**293**	328
Total borrowing costs	**3,093**	4,710

7. TAXATION

The taxation charged to the income statement represents:

	2007	2006
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
– Overprovision in prior year	**–**	(1,051)
The PRC Enterprise Income Tax		
– Current year	**726**	2,641
	726	1,590

No Hong Kong profits tax has been provided for the year as the Group did not have any assessable profit for the year (2006: 17.5%).

PRC enterprise income tax has been provided at a range of 15% to 33% (2006: 33%) on the estimated assessable profit of the subsidiaries in the PRC. Pursuant to the relevant laws and regulations in the PRC, the Group's PRC subsidiaries are exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next consecutive three years, except for a PRC subsidiary, which is exempted from PRC income tax for three years starting from the year it commenced business, followed by a 50% reduction on a tax rate of 15% for the next consecutive three years on the assessable income.

On 16th March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6th December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate to 25% for certain subsidiaries from 1st January 2008.

	2007	2006
	HK$'000	*HK$'000*
Profit before taxation	**23,239**	14,527
Notional tax on profit before taxation, calculated at rates applicable to profits in the countries concerned	**3,543**	2,983
Tax effect of non-deductible expenses	**46**	11,086
Tax effect of non-taxable income	**(8,807)**	(7,623)
Overprovision in respect of prior year	**–**	(1,051)
Tax effect of utilisation of tax loss not previously recognised	**–**	1,170
Effect of tax exemptions granted to PRC subsidiaries	**(506)**	(2,841)
Tax effect of unrecognised tax losses and timing differences	**6,450**	(2,134)
Actual tax expense	**726**	1,590

At 31st December 2007, the Group had unrecognised deferred tax assets of approximately HK$21,990,000 (2006: approximately HK$14,453,000) in respect of the tax losses and other temporary differences. As it is not probable that taxable profits will be available against which the deductible temporary differences and the unused tax losses of the Group can be utilised, deferred tax assets have not been recognised. Tax losses are available indefinitely for offsetting future taxable profits of the companies in which the losses arose.

8. DIVIDEND

	2007	2006
	HK$'000	*HK$'000*
Proposed – final dividend of HK$NIL (2006: HK$0.05) per share[#]	**–**	20,000[*]
	–	20,000

No dividend was proposed during 2007, nor has any dividend been proposed since the balance sheet date.

[*] The actual final dividends paid for 2006 was approximately HK$20,151,000 due to additional shares issued during the period from 22nd March 2006 to 11th June 2006, the date of closure of the register of members.

[#] Dividend paid to shareholders of the Company based on number of ordinary shares before Share Subdivision (note 18(a)).

9. EARNINGS PER SHARE

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

	2007	2006
	HK$'000	*HK$'000*
Net profit attributable to equity holders of the Company	**22,513**	17,368

	2007	2006
	'000	*'000*
Issued ordinary share at 1 January	**1,600,000**	1,600,000
Effect of share options exercised	**9,643**	–
Weighted average number of ordinary shares for basic earnings per share	**1,609,643**	1,600,000
Effect of dilutive potential ordinary shares:		
Exercise of share options	**69,920**	13,100
Weighted average number of ordinary shares for dilutive earnings per share	**1,679,563**	1,613,100
Earnings per share:		
– Basic	**1.40 cents**	1.09 cents
– Diluted	**1.34 cents**	1.08 cents

Note: The weighted average number of ordinary shares for basic earnings per share has been adjusted for the Share Subdivision (note 18(a)).

10. INVESTMENT PROPERTIES

	2007	2006
	HK$'000	*HK$'000*
Fair value at 1st January	**26,700**	21,800
Net increase in fair value recognised in the consolidated income statement	**2,900**	4,900
At 31st December	**29,600**	26,700

All the investment properties are held under medium term leases and situated in Hong Kong.

10. INVESTMENT PROPERTIES *(Continued)*

The investment properties were revalued as at 31st December 2007 on an open market basis by Vigers Appraisal & Consulting Limited, which are independent qualified professional valuers not connected with the Group and have appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings held for own use *HK$'000*	Leasehold improvements *HK$'000*	Office equipment, furniture and fixtures *HK$'000*	Plant and machinery *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost						
At 1st January 2006	79,141	7,228	7,637	34,174	3,466	131,646
Exchange adjustments	2,804	230	227	1,234	122	4,617
Additions	–	1,143	1,312	2,345	106	4,906
Disposals	–	–	(2,019)	(989)	(238)	(3,246)
At 31st December 2006 and 1st January 2007	81,945	8,601	7,157	36,764	3,456	137,923
Exchange adjustments	5,977	508	365	2,731	253	9,834
Additions	–	65	1,089	260	951	2,365
Disposals	–	–	(1)	(47)	(529)	(577)
Disposal of subsidiaries	–	(916)	(1,600)	–	–	(2,516)
Reclassification	–	9,982	(594)	(9,388)	–	–
At 31st December 2007	**87,922**	**18,240**	**6,416**	**30,320**	**4,131**	**147,029**
Accumulated depreciation						
At 1st January 2006	3,860	1,408	4,569	5,199	1,714	16,750
Exchange adjustments	192	37	154	265	68	716
Charge for the year	2,575	599	1,317	3,446	331	8,268
Disposals	–	–	(1,967)	(101)	(81)	(2,149)
At 31st December 2006 and 1st January 2007	6,627	2,044	4,073	8,809	2,032	23,585
Exchange adjustments	583	110	241	793	154	1,881
Charge for the year	2,419	1,101	793	3,230	210	7,753
Disposal of subsidiaries	–	(417)	(689)	–	–	(1,106)
Disposals	–	–	(1)	(43)	(382)	(426)
Reclassification	–	2,264	(256)	(2,008)	–	–
At 31st December 2007	**9,629**	**5,102**	**4,161**	**10,781**	**2,014**	**31,687**
Net book values						
At 31st December 2007	**78,293**	**13,138**	**2,255**	**19,539**	**2,117**	**115,342**
At 31st December 2006	75,318	6,557	3,084	27,955	1,424	114,338

All the buildings are situated in the PRC and held under medium-term leases.

12. PREPAID LEASE PAYMENTS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Net book value		
At 1st January	**12,752**	12,612
Amortisation	**(317)**	(301)
Exchange adjustments	**916**	441
At 31st December	**13,351**	12,752
Current portion	**(330)**	(308)
Non-current portion	**13,021**	12,444

The prepaid lease payments are for land situated in the PRC is held under medium term lease.

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2007	2006
	HK$'000	*HK$'000*
Unlisted equity securities		
– Equity interest in JI *(Note)*	**3,954,047**	2,097,441
– Other equity securities	**–**	2,185
At 31st December	**3,954,047**	2,099,626

Note:

Pursuant to an agreement dated 10th August 2004, the Group through its wholly owned subsidiary Beijing Golden Yuxing Electronics and Technology Company Limited ("Golden Yuxing") acquired a 10.435% equity interest in Shenzhen Jiangnan Industrial Development Co., Ltd. ("JI"), a company which holds, among others, shares of Ping An Insurance (Group) Company of China Limited ("Ping An Shares") which was listed in 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 Shanshui Jianlibao Health Industry Investment Co., Ltd. ("SJHII"), a company in which Mr. Zhu Wei Sha, a director of the Company, had an effective 8.1% equity interest. Mr. Zhu Wei Sha ceased to have any equity interests in SJHII after November 2004. The said consideration was determined with reference to the value of 51,000,000 Ping An Shares held directly by JI.

The purpose of the Acquisition was to enable the Group to acquire a 10.435% economic benefits associated with the 51,000,000 Ping An Shares through a share management agreement entered into amongst Golden Yuxing, JI and other shareholders of JI at the time, specifically to enable the Group to receive its shares of dividend attributable to the 51,000,000 Ping An Shares and to use such shares as security to support its own borrowings.

Subsequently in August 2004, the Group came to know about certain deficiencies in the above-mentioned share management agreement to give effect to the requirement of Golden Yuxing to acquire such economic benefits relating to the investment in the 51,000,000 Ping An Shares held by JI, which gives rise to uncertainties over enforceability of the agreement under the PRC laws.

In April 2005, although no notification had been served on the Group by the PRC authority, the Directors were informed by JI that the Foshan Police Bureau had requested the Commodity Price Information Centre of Shenzhen Industrial and Commercial Administration Bureau ("SICAB") to refuse the transfer, pledge or sale of the 10.435% equity interest in JI held by Golden Yuxing. On 2nd November 2007, the Directors were informed by its PRC lawyers that the SICAB confirmed that the moratorium has been uplifted on 14th April 2006.

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

Note: (Continued)

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 total of 36.66% equity interest in JI which equivalent to the value of 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.

As at 31st December 2007, the equity interest in JI held by the Group was revalued by Vigers Appraisal & Consulting Limited, independent qualified professional valuers not connected with the Group, to approximately RMB3,702,570,000 (equivalent to approximately of HK$3,954,047,000) (2006: RMB2,107,299,000 (equivalent to approximately HK$2,097,441,000)). The valuation was arrived at by reference to the PRC audited financial statements of JI as at 31st December 2007 and adjusted by the market value of 51,000,000 Ping An Shares at 31st December 2007. The Group recorded a revaluation surplus on the interests in JI of approximately of RMB1,595,270,000 (equivalent to approximately HK$1,703,620,000) (2006: approximately RMB1,890,299,000 (equivalent to approximately HK$1,881,457,000)) as at 31st December 2007.

In 2006, 18,000,000 Ping An Shares of JI were pledged to a bank in the PRC for the banking facilities granted to Sheng Bang Qiang Dian Electronics (Zhong Shan) Co., Ltd., an indirect wholly-owned subsidiary of the Company. The bank loan was fully repaid during the year 2007.

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

The Foshan Middle Court imposed two standby moratoriums on 24th October 2007 and 30th October 2007 respectively on the 4.6958% and 11.8371% equity interest in JI held by Golden Yuxing. However, the Directors were not aware of the background and reasons for these two standby moratoriums, as further detailed in the Company's announcement on 6th November 2007.

In December 2007, Guangdong Jianlibao Group Company Limited ("JLB Group") served a petition to the Higher People's Court of the Guangdong Province for invalidation of the sale and purchase transaction of JI's interest between Golden Yuxing and SJHII, which as made on 10th August 2004, as further detailed in note 20.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2007	2006
	HK$'000	*HK$'000*
Held-for-trading investment (at market value):		
Listed equity securities in Hong Kong	**5,222**	6,653

15. TRADE AND OTHER RECEIVABLES

	2007	2006
	HK$'000	*HK$'000*
Trade receivables	**31,544**	93,779
Less: Impairment on bad and doubtful debts	**(2,583)**	(20,382)
	28,961	73,397
Other receivables	**15,019**	13,578
Prepayments and deposits	**3,689**	11,116
	47,669	98,091

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

The Group allows its trade customers with an average credit period of 60 to 90 days. The ageing analysis of trade receivables at the balance sheet date is as follows:

	2007	2006
	HK$'000	*HK$'000*
0-30 days	**10,387**	53,238
31-60 days	**1,872**	14,861
61-90 days	**1,561**	631
over 90 days	**15,141**	4,667
	28,961	73,397

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivable directly.

The movement in the impairment on bad and doubtful debts during the year is as follows:

	2007	2006
	HK$'000	*HK$'000*
At 1st January	**20,382**	4,983
Impairment loss recognised	**955**	15,529
Disposal of subsidiaries	**(18,859)**	–
Exchange adjustments	**105**	(130)
At 31st December	**2,583**	20,382

15. TRADE AND OTHER RECEIVABLES *(Continued)*

The ageing analysis of trade receivable that are past due but not impaired:

	2007	2006
	HK$'000	*HK$'000*
Over 90 days	**15,141**	4,667

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

16. TRADE AND OTHER PAYABLES

	2007	2006
	HK$'000	*HK$'000*
Trade payables *(Note)*	**23,501**	153,958
Other payables	**11,719**	21,437
Accruals	**6,043**	8,711
Amount due to a subsidiary's director	**–**	10,000
	41,263	194,106

Note:

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

	2007	2006
	HK$'000	*HK$'000*
0-30 days	**7,012**	85,124
31-60 days	**2,393**	56,416
61-90 days	**1,261**	2,462
over 90 days	**12,835**	9,956
	23,501	153,958

17. PLEDGED OF ASSETS

At 31st December 2007, the following assets were pledged to secure banking facilities granted to the Group:

(a) Investment properties of the Group with carrying value of HK$29,600,000 (2006: HK$26,700,000);

(b) Prepaid lease payments and buildings of the Group with carrying value of approximately HK$7,732,000 (2006: approximately HK$7,385,000) and approximately HK$51,480,000 (2006: approximately HK$49,305,000) respectively;

(c) No indirect investment of 18,000,000 Ping An Shares held by JI were pledged (2006: 18,000,000 shares were pledged) *(note 13)*; and

(d) Financial assets at fair value through profit or loss of the Group with carrying value of approximately HK$2,501,000 (2006: approximately HK$4,173,000).

18. SHARE CAPITAL

	Number of shares		Share capital	
	31st December	31st December	**31st December**	31st December
	2007	2006	**2007**	2006
			HK$'000	*HK$'000*
Authorised:				
At beginning of the year (ordinary shares of HK$0.1 each)	**2,000,000,000**	2,000,000,000	**200,000**	200,000
Subdivision of one share of HK$0.1 each into four shares of HK$0.025 each *(note (a))*	**6,000,000,000**	–	**–**	–
At end of year Shares of HK$0.025 each (2006: HK$0.1 each)	**8,000,000,000**	2,000,000,000	**200,000**	200,000
Issued and fully paid:				
At beginning of the year (ordinary shares of HK$0.1 each)	**400,000,000**	400,000,000	**40,000**	40,000
Subdivision of one share of HK$0.1 each into four shares of HK$0.025 each *(note (a))*	**1,200,000,000**	–	**–**	–
Exercise of share options *(note (b))*	**21,132,000**	–	**528**	–
At end of year Shares of HK$0.025 each (2006: HK0.1 each)	**1,621,132,000**	400,000,000	**40,528**	40,000

Notes:

(a) On 22nd June 2007, an ordinary resolution was passed by the shareholders of the Company approving the subdivision (the "Share Subdivision") of each issued and unissued shares of HK$0.1 each in the authorised share capital of the Company into four ordinary shares of HK$0.025 each. The Share Subdivision became effective on 25th June 2007.

(b) During the year ended 31st December 2007, 21,132,000 shares were issued at HK$0.025 per share as a result of the exercise of share options of the Company.

19. RESERVES

	Share premium HK$'000 *(note (b)(i))*	Statutory reserves HK$'000 *(note (b)(ii))*	Contributed surplus HK$'000 *(note (b)(iii))*	Investment revaluation reserves HK$'000 *(note (b)(iv))*	Share option reserves HK$'000 *(note (b)(v))*	Translation reserves HK$'000 *(note (b)(vi))*	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000
At 1st January 2006	381,713	16,874	–	–	–	5,695	(48,542)	355,740
Equity-settled share based payment	–	–	–	–	139	–	–	139
Available-for-sale financial asset	–	–	–	1,881,457	–	–	–	1,881,457
Transfer	–	3,316	–	–	–	–	(3,316)	–
Exchange adjustments	–	–	–	–		10,119	–	10,119
Profit for the year	–	–	–	–	–	–	17,368	17,368
At 31st December 2006 and at 1st January 2007	381,713	20,190	–	1,881,457	139	15,814	(34,490)	2,264,823
Issue of shares under share option scheme *(note(a))*	7,555	–	–	–	(1,797)	–	–	5,758
Reduction of share premium to offset against accumulated losses and transfer to contributed surplus	(385,022)	–	234,621	–	–	–	150,401	–
Equity-settled share based payment	–	–	–	–	18,656	–	–	18,656
Available-for-sale financial asset	–	–	–	1,703,620	–	–	–	1,703,620
Exchange adjustments	–	–	–	–	–	160,556	–	160,556
2006 final dividend paid	–	–	–	–	–	–	(20,151)	(20,151)
Profit for the year	–	–	–	–	–	–	22,513	22,513
At 31st December 2007	**4,246**	**20,190**	**234,621**	**3,585,077**	**16,998**	**176,370**	**118,273**	**4,155,775**

Notes:

(a) *Shares issued under share option scheme*

During the year, options were exercised to subscribe for 21,132,000 ordinary shares in the Company at a consideration of approximately HK$6,286,000 of which approximately HK$528,000 was credited to share capital and the balance of approximately HK$5,758,000 was credited to the share premium account. Approximately HK$1,797,000 has been transferred from the share option reserves to the share premium account.

19. RESERVES *(Continued)*

Notes: (Continued)

(b) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by Section 46(2) of the Companies Act 1981 of Bermuda (as amended).

(ii) Statutory reserves

Statutory reserves comprise statutory surplus reserves fund and statutory public welfare fund of the subsidiaries in the PRC and form part of shareholders' fund. According to the Articles of Association of certain subsidiaries, the subsidiaries are required to transfer 10% of the profit after tax to the statutory surplus reserves fund until the fund balance reaches 50% of the registered capital and to transfer 5% to 10% of the profit after tax to the statutory public welfare fund. The transfer to the funds must be made before distributing dividends to shareholders. From 1st January 2006, according to the revised PRC Company Law, the PRC subsidiaries are no longer required to make transfer to the statutory public welfare fund. The unutilised statutory public welfare fund was transferred to statutory reserves fund.

No transfer of statutory reserves has been made for the year (2006: approximately HK$3,316,000).

(iii) Contributed surplus

The contributed surplus represents the difference between the underlying net assets of the subsidiaries which were acquired by the Company and the nominal amount of the shares issued by the Company for each acquisition at the time of the Group reorganisation.

The Company passed a special resolution in September 2007 in according to Section 46(2) of the Companies Act 1981 of Bermuda (as amended), in reduction of its share premium of approximately HK$385,022,000 to eliminate the accumulated losses of approximately HK$150,401,000 and the balance of approximately HK$234,621,000 be credited to the contributed surplus account of the Company to be utilised by the Directors in accordance with the bye-laws of the Company and all applicable laws.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

(iv) Investment revaluation reserves

The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the balance sheet date.

(v) Share option reserves

The share option reserves comprises the fair value of the actual or estimated number of unexercised share options granted to employees of the Group recognised in accordance with the accounting policy adopted for share-based payments.

19. RESERVES *(Continued)*

Notes: (Continued)

(b) Nature and purpose of reserves (Continued)

(vi) Translation reserves

The translation reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations.

At 31st December 2007, the total contributed surplus and retained profits of approximately HK$380,840,000 (2006: approximately HK$22,175,000) is available for distribution to equity holders of the Company, which include the proposed final dividends as at 31st December 2007 of HK$Nil (2006: HK$20,000,000) and the balance of the distributable reserve after proposed final dividend of approximately HK$380,840,000 (2006: approximately HK$2,175,000).

20. POST BALANCE SHEET EVENT

In December 2007, Guangdong Jianlibao Group Limited ("JLB Group"), served a petition to the Higher People's Court of the Guangdong province in the PRC ("Guangdong Higher Court") to institute a civil action against Golden Yuxing as purchaser and SJHII as vendor, claiming, among other matters, that the sale by SJHII to Golden Yuxing in August 2004 of 10.435% (which was subsequently increased to 36.66% pursuant to an adjustment of shareholders' equity interest in March and November 2006 respectively) equity interest in JI, a company which principal assets are 139,112,886 Ping An Shares which has been listed on the Shanghai Stock Exchange in the PRC since 1st March 2007.

On 18th February 2008, Golden Yuxing received a notification from Guangdong Higher Court, JLB Group claimed that SJHII was actually a trustee holding the shares of JI on their behalf and had entered into the share sale agreement without JLB Group's approval or authorization. In addition, the fact that the aggregate investment cost exceeded 50% of Golden Yuxing's net assets also violated Rule 12 of the Company Law then in force in the PRC. The share sale transaction was therefore invalid and SJHII did not have the right to pass the legal title of the JI shares to Golden Yuxing. JLB Group thereby demanded the reversion and return of the JI shares to SJHII.

As at the date of this announcement, no judgement has been received from court yet. The Directors have sought advice from its PRC legal advisors in this respect and are of the view that the claim is based on unsubstantiated and invalid grounds.

SUMMARY OF AUDITORS' REPORT

Basis for disclaimer of opinion: material uncertainty relating to litigation

As further disclosed in the financial statements, Guangdong Jianlibao Group Limited ("JLB Group"), instituted a civil action against Shanshui Jianlibao Health Industry Investment Co., Ltd. ("SJHII") as vendor and Beijing Golden Yuxing Electronics and Technology Company Limited ("Golden Yuxing"), a wholly-owned subsidiary of the Company as purchaser ,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 March and November 2006 respectively) equity interest in Shenzhen Jiangnan Industrial Development Co., Ltd. ("JI"), a company whose principal assets were 479,117,788 shares (subsequently reduced to 139,112,886 shares as at 31st December 2007) in Ping An Insurance (Group) Company of China Limited ("Ping An"), the A shares of which has been listed on the Shanghai Stock Exchange in the PRC since 1 March 2007 was null and void. The shares in JI has been classified in the financial statements of the Group as an available-for-sale financial asset with a fair value at 31st December 2007 of approximately RMB3,702,570,000 (equivalent to approximately HK$3,954,047,000) (2006: approximately RMB2,107,299,000 (equivalent to approximately HK$2,097,441,000)).

JLB Group claimed that SJHII was a trustee holding the shares of JI on their behalf and had entered into the share sale agreement without JLB Group's approval or authorisation. In addition, the fact that the aggregate investment cost exceeded 50% of Golden Yuxing's net assets also violated Rule 12 of the Company Law then in force in the PRC. The share sale transaction was therefore invalid and SJHII did not have the right to transfer the legal title of JI shares to Golden Yuxing. JLB Group thereby demanded the reversion and return of the JI shares to SJHII.

The directors of the Company have sought advice from its PRC lawyers in this respect and are of the view that the claim is based on unsubstantiated and invalid grounds. However, judgement has not been received from court yet and there is uncertainty as to whether the action can be successfully defended. Should the share purchase transaction in 2004 be adjudicated to be void and the Group's title to the JI shares be proved to be faulty, the JI shares would be required to be returned to the GLB Group. The acquisition would therefore be reversed and the available-for-sale financial asset of approximately HK$3,954,047,000 as at 31st December 2007 and the related revaluation reserve of approximately HK$3,585,077,000 as at 31st December 2007 would need to be eliminated from the Group's balance sheet as at 31st December 2007. The net assets of the Group as at 31st December 2007 would be reduced by the latter amount. There would also be a retrospective adjusting effect on the financial statements for the years ended 31st December 2004, 2005 and 2006.

We consider that appropriate disclosures have been made, but in view of the extent and potential impact of the significant uncertainty described above, we disclaim our opinion in this respect.

Disclaimer of opinion

Because of the significance of the matter described in the basis for disclaimer of opinion paragraph, we do not express an opinion on the financial statements as to whether they give a true and fair view of the state of affairs of the Company and the Group as at 31st December 2007 and of the profit and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion, the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance."

THE VIEWS OF THE BOARD OF DIRECTORS ON THE AUDIT OPINION OF CCIF CPA LIMITED

The auditors of the Company, CCIF CPA Limited ("CCIF"), have audited the financial statements of the Company for the year ended 31 December 2007 and issued an independent auditor's report with a disclaimer opinion on the financial statements in view of the extent and potential impact of the "significant uncertainty" arising out of the litigation regarding the Group's title to the 36.66% equity interests in JI. In this regard, the Directors wish to note that while they understand that there could be significant financial impact on the Group's financial statements, should the share purchase transaction in 2004 be adjudicated to be void and the acquisition be reversed, they regard such risk as low in view of the advice received from the Company's PRC lawyers.

The Directors would also like to express that the Group has fully cooperated with the audit team of CCIF to assist the CCIF to gain access to all the books and records of the Group and the relevant supporting documents and provide all explanations and legal opinion from the Group's PRC lawyers during the audit process in order for CCIF to form a view on the financial affairs of the Company.

On the basis of the PRC legal opinion and their understanding of the facts of the litigation, the Directors share the view of the PRC lawyers that the claim against Golden Yuxing by Guangdong Jianlibao Group Company Limited is based on unsubstantiated and invalid grounds, as disclosed in the announcement of the Company dated 19th February, 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover and Gross Profit

During the year under review, the Group successfully completed the disposal of one of its subsidiaries, which mainly focused on Integrated Circuits business ("IC Subsidiary"). Because of this disposal of the IC Subsidiary which accounted for a significant portion of the Group's revenue, the Group's consolidated turnover declined by 87.9% to approximately HK$125.7 million for the year ended 31st December 2007. Turnover of the continuing operations declined by 40.0% from approximately HK$209.5 million to approximately HK$125.7 million for the year ended 31st December 2007. The reason for the decline in turnover of the continuing operations was due to reduction in orders from the Group's Information Appliances ("IA") division. The Group also recorded a decline in gross profit by 59.6% to approximately HK$30.2 million for the year ended 31st December 2007. This was mainly due to the disposal of the IC Subsidiary and lower contribution from IA division. However, the Group's gross profit margin improved significantly from only 7.2% in the previous fiscal year to 24.0% for the year under review due to the higher profit margin from IA division.

Operating Results

Other revenue and net income

Other revenue and net income increased to approximately HK$55.8 million for the year ended 31st December 2007 (2006: approximately HK$30.7 million). This was mainly due to the following reasons: dividends of approximately HK$22.0 million received from the Group's indirect investments in 51 million shares of Ping An Insurance (Group) Company of China Limited ("Ping An Insurance") during the year under review (2006: approximately HK$15.9 million), realised and unrealised gains on certain financial assets of approximately HK$13.3 million in the fiscal year (2006: approximately HK$3.8 million) and a reversal of impairment on other receivable of approximately HK$7.4 million made by the Group in the prior year during the year under review.

Operating Expenses

Because of the disposal of the Group's IC Subsidiary during the year under review, the Group's overall selling expenses and general and administrative expenses have decreased by 29.1% and 16.3% to approximately HK$4.9 million and approximately HK$69.3 million respectively as compared to the year ended 31st December 2006.

Finance Costs

As the Group has repaid certain bank borrowings during the year under review, finance costs decreased to approximately HK$3.1 million (2006: approximately HK$4.7 million).

Profit for the Year

Due to the above factors and the Group had successfully completed the disposal of the IC Subsidiary for a consideration of HK$30 million, resulting in a gain of approximately HK$13.9 million at the beginning of 2007, the Group registered a profit attributable to equity holders of the Company of approximately HK$22.5 million for the year ended 31st December 2007, indicating a significant improvement of 29.6% compared to approximately HK$17.4 million in 2006.

Liquidity, Charge on Group Assets and Financial Resources

As at 31st December 2007, the Group had net current assets of approximately HK$98.7 million. The Group had cash and bank deposits totalling approximately HK$91.0 million. The Group's financial resources were funded mainly by its shareholders' funds except for certain bank loans and long-term mortgage loans totalling approximately HK$39.8 million. As at 31st December 2007, the Group's current ratio was 2.4 times and the gearing ratio, as measured by total liabilities over total assets, was 1.9%. Overall, the financial and liquidity positions of the Group remain at a stable and healthy level.

Capital Structure

The shares of the Company were listed on the GEM on 31st January 2000. The change in the capital structure of the Company are set out in note 18 to the accounts.

Significant Investments/Material Acquisitions and Disposals

For the year ended 31st December 2007, the Group had successfully completed the disposal of the IC Subsidiary for a consideration of HK$30 million, resulting in a gain of approximately HK$13.9 million. This consideration represented about an average annual return of 30% over the Group's investment in the IC Subsidiary during a period of over six years.

During the year of 2004, the Group made an indirect investment in 51 million domestic institutional shares of Ping An Insurance, which was listed on the Shanghai Stock Exchange in the PRC on 1st March 2007, one of China's largest insurance companies, through the acquisition of the 10.435% equity interest in JI as referred to in an agreement dated 10th August 2004. For the financial year ended 31st December 2007, Ping An Insurance recorded basic earning per share of RMB2.61 and proposed a final dividend of RMB0.5 per share. The Directors are confident that Ping An Insurance and its shareholders will continue to benefit from the robust economic development of the PRC.

Save as disclosed above, the Group had no significant investments and no material acquisitions and disposals during the year under review.

Segment Information

The Group's star business segment was the information home appliances ("IHA"). However, due to reduction in orders from the Group's IA division, the total turnover of the IHA segment decreased by 42.5% to approximately HK$107.2 million as compared to last year. Despite the lower turnover, the IHA segment recorded an operating profit of approximately HK$4.7 million.

During the year under review, the Group had successfully completed the disposal of the IC Subsidiary. As a result of this disposal, the turnover of Electronic Components segment declined by 99.2% to approximately HK$6.9 million as compared to last year, and an operating loss of approximately HK$8.0 million was recorded during the year under review.

Geographical markets of the Group were mainly located in Hong Kong during the year under review. For the continuing operations business, the consolidated turnover of overseas markets declined by 58.2% to approximately HK$21.1 million as compared to last year. The reason for this decline was due to the reduction in orders in this sector during the year under review. Furthermore, the turnover generated from the Hong Kong and the PRC markets decreased by 66.4% and 96.9% to approximately HK$81.4 million and HK$23.2 million respectively as compared to last year. This was mainly due to the disposal of the IC subsidiary which focused on the Hong Kong and PRC markets in previous year.

Exposure to Fluctuations in Exchange Rates

Most of the trading transactions of the Group were denominated in Hong Kong 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 rates for Hong Kong dollars and Renminbi have been stable for the year under review. No hedging or other alternative measures have been implemented by the Group. As at 31st December 2007, the Group had no significant exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

Contingent Liabilities

In December 2007, a customer claimed against Shenzhen Sheng Bang in the People Court of Shenzhen Nanshan Region for approximately HK$3,078,000 (equivalent to RMB3,000,000) for loss alleged to have been suffered from the dissatisfactory quality of products supplied by the subsidiary.

As at the date of this announcement to the best estimation of the Directors, the outcome of the litigations and claims would not have a material adverse effect on the Group and no provision had been made in the consolidated financial statement.

Human Resources

As at 31st December 2007, the Group had over 600 full time employees, of which 7 were based in Hong Kong and the rest were in the PRC. For the year ended 31st December 2007, staff costs include Director's emoluments amounted to approximately HK$38.0 million (2006: approximately HK$24.9 million). This significant increase in staff costs during the year under review was mainly due to the non-cash expenses of approximately HK$18.7 million arising from the grant of share options by the Company towards the end of previous financial year and this financial year. All employees of the Company's subsidiaries are selected and promoted based on their suitability for the position offered. The salary and benefit levels of the Group's employees are in line with the market. Employees are rewarded on a performance-related basis within the general framework of the Group's remuneration system which is reviewed annually. In addition to the basic salaries, staff benefits include medical scheme, various insurance schemes and share options scheme.

BUSINESS REVIEW

During the year under review, the acquisition of the Group's indirect investment in the 51 million shares of Ping An Insurance was ratified by the independent shareholders of the Company. In addition, as the 51 million shares of Ping An Insurance indirectly invested by the Group have been converted to "A" shares (i.e. shares tradable on Shanghai Stock Exchange), this indirect investment is subject to the three-year lock-up period, which is expected to expire on 1st March 2010, required by the Shanghai Stock Exchange in the PRC upon the listing of Ping An Insurance on 1st March 2007. As such, the Group was able to account for the market value of the indirect investment based on the fair value prepared by an independent valuer of approximately HK$3,954.0 million in the balance sheet of the relevant financial report for the year under review and thus, the Group recorded net assets value of approximately HK$4,196.3 million or net assets value of approximately HK$2.59 per share as at 31st December 2007.

The Group received a notice from the Higher People's Court of Guangdong Province on 18th February 2008, with which a writ of summons was attached, whereby JLB Group claimed that the agreement entered into between SJHII and Golden Yuxing (the wholly-owned subsidiary of the Group) in August 2004 for acquisition of the 10.435% equity interests of JI was invalid. JLB Group also claimed against Golden Yuxing for compensation of all costs and expenses in relation to the case. The Board has sought advice from its PRC lawyers and is of the view that the claim is based on unsubstantiated and invalid grounds. The Directors firmly believe in the justice of the PRC laws and are fully confident on protecting the shareholders' legal interests. The Directors therefore believe that the outcome of the claim would not have a material adverse impact on the results of the Group.

During the year under review, the profit attributable to the equity holders of the Company has risen to approximately HK$22.5 million, representing an increase of 29.6% compared to last year, despite a significant reduction in the turnover of the Group to approximately HK$125.7 million caused by the disposal of the IC Subsidiary in January 2007. The profit attributable to the equity holders of the Company could have increased more significantly if non-cash expenses of approximately HK$18.7 million for the grant of share options by the Company towards the end of previous financial year and this financial year were not taken into account.

The profit attributable to the equity holders of the Company continued to increase, primarily attributable to the following incomes: the gains resulted from the disposal of the IC Subsidiary of approximately HK$13.9 million during the year under review, the dividend income received from the Group's indirect investment in 51 million shares of Ping An Insurance of approximately HK$22.0 million, and the realized and unrealized gains of certain financial assets of the Group during the financial year of approximately HK$13.3 million. As to turnover of the continuing operations, the consolidated turnover of approximately HK$125.7 million declined by 40.0% from approximately HK$209.5 million in the previous fiscal year, which was due to certain reduction in orders from the Group's IA division. Nevertheless, the Group's gross profit margin improved significantly from only 7.2% in the previous fiscal year to 24.0% for the year under review.

In order to increase the overall liquidity of the Company's shares being traded on the GEM, the Board conducted a Share Subdivision during the year under review and the Share Subdivision was subsequently approved by shareholders of the Company in a special general meeting held on 22nd June 2007.

IA Division

IA division is the Group's continuing core operation which has contributed a substantial part of the Group's operating income. The division has been leading the global IPTV set-top box industry.

During the year under review, the IPTV set-top boxes have been improved with new technology along with the finalization of H.264 encoded technology, leading to a slowdown in the marketing effort of the operators. However, owing to the supports from various partners, the Group continued to benefit from considerable market advantages in Asia region, particularly in Hong Kong. Meanwhile, in order to increase its market shares in other regions worldwide, the Group proactively deployed more financial resources mainly in the fast-growing regions such as Europe and Mainland China and strived to identify any opportunities for cooperation with a view to serving main telecom operators in various regions, which resulted in some progresses made. During the year under review, the Group had fostered concrete business relationship with the largest telecom operator in Europe and made smooth progress in product development. The Group has consecutively made shipments to such operator since January 2008. The achievement implies that the Group's IPTV set-top boxes have passed various supplier evaluations and product testing conducted by an international telecom operator enjoying global market shares have started to penetrate the European market, which was a remarkable step in the Group's efforts to penetrate further into other regions beyond Asia. In addition, the Internet IPTV market has been developing in Mainland China, which also offers more opportunities for the growth of the Group's business. During the year under review, the Group had put more financial resources in developing domestic market, and was invited to attend the connected tuning for compliance of IPTV V2.0 products organized by China Telecommunications Corporation during which the Group's products had staged outstanding performance.

In terms of product development, the Group has finalized its design using H.264 protocols which can provide a more efficient transfer of high quality digital video at a much lower bandwidth. During the year under review, H.264 product line has been launched into market and was well received by customers and partners. Furthermore, in response to the global market trend, the Group had also made breakthrough in the development of DTT+IP dual mode set-top boxes and first launched the high quality H.264 dual mode set-top boxes, for which the Group became the first manufacturer to launch the relevant product line in compliance with China Standards (DMB-TH standards). DTT+IP dual mode set-top boxes can receive not only Internet signals, but also the digital terrestrial broadcasting signals, which would be the main products in future set-top box market. In January 2008, the products were officially promoted in Hong Kong market.

OEM Business

In respect of the original equipment manufacturing ("OEM") business of the Group, despite the fact that the overall turnover and profit of this business have yet to be improved, the Group has made unremitting efforts to strengthen its internal management during the year under review, and meanwhile, the Group has been trying to establish stronger partnership with both domestic and international renowned electronic components manufacturers while seeking new opportunities to introduce different kinds of consumer electronic products, which has staged noticeable performance and accumulated certain skills in the audio-video entertainment and educational electronic product sectors. Such measures have contributed to our technical know-how accumulation. Leveraging on our advantageous creativeness and R&D capabilities, during the year under review the Group started to focus on developing intelligent products and managed to enter into a formal agreement with Beijing Kaku Full Cartoon Culture Co., Ltd. (北京卡酷全卡通動漫文化有限公司) in January 2008, under which we were entitled to commercially use their Kaku cartoon images. We will develop a series of electronic products carrying Kaku cartoon images and market them in China. As Beijing Kaku Cartoon TV (北京卡酷動畫衛視) is the first dedicated cartoon channel in China and has produced the 100-episode Cartoon Series "Fuwa's Olympic Trips" (福娃奧運漫遊記) under the authorization of the Beijing Organizing Committee for the Olympic Games, whose audience (mainly children) spread all over the mainland China, as a result, the Directors believe that such cooperation, if successful, will bring new opportunities to the Group's OEM business.

Although the performance of the OEM business has not improved during the year under review, the Group anticipated greater potential customer demand with the introduction of new products, with which it can contribute to the improvement of our results.

BUSINESS PROSPECTS

As mentioned above, one of the Group's most significant investments, the indirectly-held investment of the 51,000,000 shares of Ping An Insurance will continue to generate handsome returns to the Group. The senior management of the Group remain confident on the prospects of the long-term investment in Ping An Insurance. Nevertheless, if the Group decides to dispose this investment in the future, the proceeds from such disposal will be used as special dividends pay to the Company's shareholders, with a necessary portion retained for the development of the Group's principal businesses. One of our main objectives is to provide our shareholders with a return not less than that generated by the 51,000,000 shares of Ping An Insurance in the future.

During the year under review, the Group received dividend of approximately HK$22.0 million from the indirect investment of 51,000,000 shares of Ping An Insurance. However, as the domestic IPTV market continues to prosper, it will possibly bring on strong growth opportunities for the Group's core business, the IA division. In order to meet the considerable capital requirement arising from the rapid growth of the domestic IA division, the Group will utilize all the cash in hand (including the dividend received from its indirect investment in the 51,000,000 shares of Ping An Insurance this year) to ensure the rapid growth of such business. As a result, the Board has decided not to pay final dividend for the year 2007, and the Board believes that such strategic moves will generate even greater potential returns to our shareholders in the near future.

IA Division

After years' exploration and preparation, the global IPTV industry is now entering a fast-growth track. The Group's IPTV set-top box design and manufacturing business has secured itself an advantageous position in Asia and become a leader in the global market. To cope with the market development, the Group has increased its investment in this division and set up sales offices and on-site technical support teams outside the PRC to explore the global market. Meanwhile, the Group will also consider strategic acquisitions in due course to enhance its competitiveness and to maintain its long-term leading position in the world.

The European market and the Mainland market remained our key exploration targets. In recent years, demands for the IPTV set-top boxes in Europe have been on continuous rise, as a result, the Group will actively pursue any business opportunities to work with major local telecom operators and to penetrate into the local markets. As mentioned above, the Group's success in establishing substantive partnership with the largest telecom operator in Europe in mid 2007 has given rise to opportunities for further cooperation and regional exploration. Meanwhile, as the PRC market has shown obvious signs of warming-up, the Group will accordingly increase its investment in this region.

In respect of our products, the progress we made in the development of DTT+IP dual-mode set-top box will play a significant role in kicking off the Chinese Standard-Format Ground Digital Radio Project. Moreover, with the improvement of our H.264 protocol technology and the continuous product launch, a new round of sales growth will emerge as a result of the product upgrade of our existing customers. As for the new regional markets, the new product line served well in meeting the demands of our customers at different levels and thus laid down a solid foundation for securing the recognition of our customers.

OEM Business

Despite of the continuing weakness of the overall turnover and profit in our OEM business, the senior management of the division has taken corresponding measures to make the division self-supportive within the shortest possible time, such as integrating all available resources both inside and outside the Group and introducing the latest consumer electronic products, which are expected to generate profit for the Group in the near future.

Meanwhile, with the increase of labour and processing costs in the Pearl River Delta in the past two years, a large number of small-sized enterprises perished, which helped to build a new environment of the processing industry. The Group believes that in this round of market reshuffling, China remained advantageously competitive in the global market in terms of processing costs, and with the fade-out of small and mid-sized manufacturers, the surviving large factories will be able to enjoy more orders owing to their advanced facilities, outstanding processing technology and scientific management.

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 auditors 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. Four meetings were held during the current financial year. The Group's audited results for the current financial year had been reviewed by the Committee.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

COMPLIANCE ADVISER'S INTEREST

As at 31st December 2007, none of Anglo Chinese Corporate Finance, Limited (the "Compliance Adviser"), the compliance adviser of the Company, its directors, employees or associates had any interests in the Company's share capital.

Pursuant to the agreement dated 17th May 2007 entered into between the Company and the Compliance Adviser, the Compliance Adviser will receive a fee for acting as the Compliance Adviser for the period from 22nd May 2007 to 21st May 2009.

SECURITIES TRANSACTIONS BY THE DIRECTORS

Although the Company has not adopted any code of conduct regarding the Directors' securities transactions, it has made specific enquiry of all Directors and the Directors have confirmed that they have complied with all the required standard of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules during the year under review.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31st December 2007.

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 rapid 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 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 absent from office for the date when the AGM was held.

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

Hong Kong, the PRC, 20th March 2008

* *For identification purposes only*

As at the date hereof, the executive directors of the Company are Mr. Zhu Wei Sha, Mr. Chen Fu Rong, Mr. Shi Guang Rong and Mr. Wang An Zhong; the independent non-executive directors of the Company 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.