



YUXING INFOTECH HOLDINGS LIMITED

裕興科技控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8005)

QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30TH SEPTEMBER 2007

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

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This announcement, for which the directors of Yuxing InfoTech Holdings Limited (the 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 for the purpose of giving information with regard to the Company. The directors of the Company (the 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 NINE-MONTH PERIOD

For the nine months and three months ended 30th September 2007, turnover of the Group was approximately HK\$95.2 million and HK\$41.6 million respectively, representing a decline of 87.2% and 87.9% respectively in comparison to the corresponding periods in 2006, mainly due to the disposal of one of its subsidiaries in January 2007.

For the nine months ended 30th September 2007, gross profit margin of the Group improved significantly from 8.5% to 31.3% as compared to the corresponding period last year.

Profit attributable to equity holders of the Company for the nine months and three months ended 30th September 2007 amounted to approximately HK\$37.9 million and HK\$20.0 million respectively, representing a significant increase of 79.3% and 111.7% respectively as compared to the corresponding periods last year.

Basic earnings per share for the nine months and three months ended 30th September 2007 was HK2.36 cents and HK1.24 cents respectively.

The Board of the Company does not recommend the payment of an interim dividend for the nine months ended 30th September 2007.

NINE-MONTH RESULTS (UNAUDITED)

The unaudited consolidated results for the nine months and three months ended 30th September 2007 together with the comparative unaudited figures for the corresponding periods in 2006, prepared in accordance with generally accepted accounting principles in Hong Kong, as follows:

	<i>Notes</i>	Nine months ended 30th September		Three months ended 30th September	
		2007 <i>HK\$000</i>	2006 <i>HK\$000</i>	2007 <i>HK\$000</i>	2006 <i>HK\$000</i>
Turnover	2	95,215	745,848	41,643	345,517
Cost of sales		(65,380)	(682,783)	(27,423)	(321,347)
Gross profit		29,835	63,065	14,220	24,170
Other operating income		49,022	24,035	29,631	9,129
Selling expenses		(3,310)	(6,152)	(995)	(808)
General and administrative expenses		(46,453)	(56,631)	(21,712)	(22,239)
Other operating expenses		(2,193)	(1,583)	(169)	(444)
Profit from operations		26,901	22,734	20,975	9,808
Finance costs		(2,298)	(2,964)	(713)	(289)
Gain on disposal of a subsidiary		13,873	–	–	–
Profit before taxation		38,476	19,770	20,262	9,519
Taxation	3	(558)	(1,253)	(251)	(352)
Profit for the period		<u>37,918</u>	<u>18,517</u>	<u>20,011</u>	<u>9,167</u>
Profit for the period attributable to:					
Equity holders of the Company		37,918	21,144	20,011	9,453
Minority interests		–	(2,627)	–	(286)
		<u>37,918</u>	<u>18,517</u>	<u>20,011</u>	<u>9,167</u>
Earnings per share attributable to equity holders of the Company	4				
Basic		<u>2.36 cents</u>	5.29 cents	<u>1.24 cents</u>	2.36 cents
Diluted		<u>2.23 cents</u>	N/A	<u>1.17 cents</u>	N/A

Notes:

1. Basis of preparation

The unaudited consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation adopted are consistent with those followed in the preparation of the Group's Annual financial statements for the year ended 31st December 2006. The accounts are unaudited but have been reviewed by the Company's Audit committee.

2. Turnover

Turnover, which is the stated net of value added tax where applicable, is recognised when goods are delivered and titles have passed.

The Group is principally engaged in the research and development, design, manufacturing, marketing, distribution and sales of audio-visual products, information home appliances and complementary products and electronic components.

3. Taxation

The taxation charged to the income statement represents:

	For the nine months ended 30th September		For the three months ended 30th September	
	2007	2006	2007	2006
	HK\$000	HK\$000	HK\$000	HK\$000
Hong Kong Profits Tax	–	(194)	–	(194)
PRC Enterprise Income Tax	558	1,447	251	546
	<u>558</u>	<u>1,253</u>	<u>251</u>	<u>352</u>

No Hong Kong profits tax has been provided for the nine months and three months ended 30th September 2007 as the Group did not have any assessable profit for the period (effective tax rate for the nine months and three months ended 30th September 2006: 17.5%).

Taxation in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. Pursuant to the relevant laws and regulations in the PRC, the Group's PRC subsidiaries are exempted from the PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three consecutive years, except for a PRC subsidiary, which is exempted from the 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 three consecutive years on the assessable income.

There was no significant unprovided deferred taxation for the nine months and three months ended 30th September 2007 (nine months and three months ended 30th September 2006: Nil).

4. Earnings per share

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

	For the nine months ended 30th September		For the three months ended 30th September	
	2007 HK\$000	2006 HK\$000	2007 HK\$000	2006 HK\$000
Profit attributable to equity holders of the Company	37,918	21,144	20,011	9,453
	Number of ordinary share			
	000	000	000	000
Weighted average number of ordinary shares in issue	1,606,269	400,000	1,613,688	400,000

The calculation of diluted earnings per share for the nine months and three months ended 30th September 2007 are based on the profit attributable to equity holders of the Company of approximately HK\$37,918,000 and HK\$20,011,000 respectively, and the weighted average number of 1,699,127,000 ordinary shares in issue during the period, after adjusting the number of dilutive potential ordinary shares arising from the outstanding share options granted under the Company's share option scheme.

No diluted earning per share has been presented for the nine months and three months ended 30th September 2006 because the exercise price of the Company's share options was higher than the average market prices for shares for periods.

5. Share capital and reserves

(i) Share capital

	Number of share		Share capital	
	30th September 2007 000	31st December 2006 000	30th September 2007 HK\$000	31st December 2006 HK\$000
Authorised:				
At beginning of the period/year (ordinary shares of HK\$0.1 each)	2,000,000	2,000,000	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		–	
Shares of HK\$0.025 each (2006: HK\$0.1 each)	8,000,000	2,000,000	200,000	200,000
Issued and fully paid:				
At beginning of the period/year (ordinary shares of HK\$0.1 each)	400,000	400,000	40,000	40,000
Exercise of share options (Note b)	15,368		384	
Subdivision of one share of HK\$0.1 each into four shares of HK\$0.025 each (Note a)	1,200,000		–	
Shares of HK\$0.025 each (2006: HK\$0.1 each)	1,615,368	400,000	40,384	40,000

(ii) *Share capital and reserves*

	Share capital HK\$000	Share premium HK\$000	Statutory reserves HK\$000	Contributed surplus HK\$000	Investment revaluation reserves HK\$000	Share option reserves HK\$000	Translation reserves HK\$000	Retained profits/ (accumulated losses) HK\$000	Total	Minority interests HK\$000	Total equity HK\$000
At 1st January 2007	40,000	381,713	20,190		1,881,457	139	15,814	(34,490)	2,304,823	15,495	2,320,318
Issue of shares under share option scheme	384	4,187						4,571		4,571	
Reduction of share premium to offset against accumulated losses and transfer to contributed surplus (<i>Note c</i>)		(385,022)		234,621				150,401			
Realised on disposal of a subsidiary										(15,495)	(15,495)
Equity-settled share based payment						14,513		14,513		14,513	
Available-for-sale financial asset					3,255,306			3,255,306			3,255,306
Exchange adjustments						88,888		88,888			88,888
2006 final dividends paid								(20,151)	(20,151)		(20,151)
Profit for the period								37,918	37,918		37,918
At 30th September 2007	40,384	878	20,190	234,621	5,136,763	14,652	104,702	133,678	5,685,868	-	5,685,868
At 1st January 2006	40,000	381,713	16,874				5,695	(48,542)	395,740	19,926	415,666
Transfer			3,316					(3,316)			
Exchange adjustments						7,555		7,555		7,555	
Profit for the period								21,144	21,144	(2,627)	18,517
At 30th September 2006	40,000	381,713	20,190				13,250	(30,714)	424,439	17,299	441,738

Notes:

- (a) On 22nd June 2007, an ordinary resolution was passed by the shareholders of the Company to divide and unissued shares of HK\$0.1 each in the authorised share capital into four ordinary shares of HK\$0.025 each. The Share Subdivision became effective on 25th June 2007.
- (b) For the period ended 30th September 2007, 15,368,000 shares were issued at HK\$0.025 per share as a result of the exercise of share options of the Company.
- (c) On 24th September 2007, a special resolution was passed by the shareholders of the Company to approve that all amounts standing to the credit of the share premium account of the Company as at 30th June 2007 (being approximately HK\$385,022,000) be reduced and credits arising therefrom be applied to eliminate the accumulated losses of the Company as at 30th June 2007 (such accumulated losses being approximately HK\$150,401,000) and the balance (such balance being approximately HK\$234,621,000) be credited to the contributed surplus account of the Company to be utilised by the directors of the Company in accordance with the bye-laws of the Company and Premium Reduction became effective on 24th September 2007.

INTERIM DIVIDENDS

The Board of the Company does not recommend the payment of an interim dividend for the nine months ended 30th September 2007 (nine months ended 30th September 2006: Nil).

BUSINESS REVIEW

During the period under review, the profit attributable to the equity holders of the Company has risen significantly to approximately HK\$37.9 million despite a reduction in the turnover of the Group to approximately HK\$95.2 million caused by the disposal of one of its subsidiaries, which mainly focused on Integrated Circuits business (IC Subsidiary) in January 2007. This strong increase in profit attributable to the equity holders of the Company derived mainly from gains resulted from the disposal of the IC Subsidiary of approximately HK\$13.9 million, the dividend incomes received from the Group's indirect investment in 51 million A shares of Ping An Insurance (Group) Company of China Limited (A shares of Ping An Insurance) of approximately HK\$21.8 million and other investment incomes of approximately HK\$11.3 million. The profit attributable to the equity holders of the Company could have risen significantly if not for the non-cash costs of approximately HK\$14.5 million accounted for the share options which the Company granted towards the end of previous fiscal year and the period under review.

During the period under review, turnover of the continuing operations has declined by 35.4% to approximately HK\$95.2 million as compared to the same period of previous fiscal year. This was due to certain reduction in orders from the Group's Information Appliances (IA). Nevertheless, the Group's overall gross profit margin improved significantly from 8.5% in the corresponding period of last year to 31.3% for the period under review.

Comparing on a quarterly basis, the Group's turnover in the third quarter 2007 has significantly improved by 37.5% while the gross profit has also increased by 67.8% to approximately HK\$14.2 million as compared to the second quarter 2007. Although share options granted by the Company during the quarter under review had resulted in a significant increase in the general and administrative expenses in the third quarter 2007 by approximately HK\$10.5 million as compared to the second quarter 2007, the operating profit in this third quarter still increased by approximately HK\$11.2 million (including the dividends received from the Group's indirect investment in 51 million Shares of Ping An Insurance) as compared to the second quarter of this fiscal year. Overall, the stronger operational performance for the third quarter of this fiscal year was mainly contributed by the Group's IA division despite its weaker performance when compared on a yearly basis.

The Group's IA division still represents the core continuing operation of the Group. During the period under review, the Group had strengthened cooperation with its existing Asian business partners on technology and market development to actively conduct research, development, testing and adjusting on new products and by focusing on the technological transfer from Motion Picture to an aim to gain better market position in the future when the whole TV industry network be converted to using H.264 encoded. Apart from Asian market, the Group also increased its strength in the market development and investment in Europe to actively identify any business cooperation opportunities with major local telecom operators. During the period under review, the Group has effectively established cooperative relationship with one of Europe's largest telecom operators in terms of number of subscribers, and is currently conducting set-top box related products development with this telecom operator which is progressing smoothly. Meanwhile, since the Internet Protocol Television (IPTV) started to grow in the PRC, the Group also stepped up its effort in the development and investment in the PRC market during the period under review and was invited to participate in the demonstration of IPTV/V2.0 software support organized by China Telecommunications Corporation during which the Group's products showed strong performance.

In terms of the Group's most valuable investments, the Company's shareholders have unanimously ratified the Group's indirect investment in 51 million Shares of Ping An Insurance during the period under review. Furthermore, the strong performance from the Group's indirect investment in the Shares of Ping An Insurance since its listing has provided the Group a potential gain of approximately HK\$5.1 billion although this gain would not likely to be booked due 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.

In order to increase the overall liquidity of the Company's shares being traded on the GEM, the Board proposed to conduct a subdivision of the shares of the Company and the share subdivision was subsequently approved in a special general meeting held on 22nd June 2007.

BUSINESS PROSPECT

The global demand for IPTV set-top boxes is continuously increasing. With the support of its various business partners, the Group has successfully secured a competitive position in the Asian region with Hong Kong as its major market and has accumulated various experiences in product and technological development. In order to extend its market coverage to other areas of the world, and ultimately establish long-term leading position in the global market, the Group is actively deploying more resources into this product with a focus on rapid growing regions such as Europe and China as well as considering potential acquisition of other IPTV set-top box manufacturers.

During the period under review, despite a decline in the operation performance of the Group's MA division business as compared with the same period of last year as a result of the slowdown in market development of major operators and due to technological upgrade to H.264 encoded in the IPTV market, the Group, being one of the market leaders in set-top boxes, was able to improve and perfect its H.264 technology through the above market adjustments and technological upgrade. At the same time the Group will acquire more technology know-how, which in turn will help to foster its long-term leading position in the industry. Furthermore, the Group expects the adjustment will be completed by the end of this year and market environment will improve thereafter. Besides, the Group's collaboration with a major European telecom operator signifies that its set-top box product has successfully entered the European market by passing various examinations and product testing conducted by one of the first-rated international telecom operators for the selection of suppliers, which paved the way for the Group's future development in other areas beyond Asia. The cooperative project between the Group and this major European telecom operator is progressing well and the first shipment is expected to be delivered in the second quarter of next year.

Overall turnover and profitability have not shown signs of improvement, however, owing to the launch of a number of new products, including advertisement kiosks, portable digital TV and other digital electronic consumer products, it is expected to generate much better demand from customers. In addition, as stated in the interim report, the Group is currently negotiating and is expecting to conclude a major deal which will enable the division to be the exclusive supplier for a new product which is associated with a major event in China in 2008. The deal is progressing smoothly and a formal contract is expected to be entered into soon. The deal will undoubtedly bring in new business opportunities for the Group's OEM business. Further announcement will be made by the Company pursuant to the GEM Listing Rules as and when appropriate.

SHARE OPTION SCHEME

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

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

	Date of grant	Exercisable period	Exercise price HK\$	Number of share options				
				At 1st January 2007	Exercised during the period	Granted during the period	Cancelled/ lapsed during the period	At 30th September 2007
Directors								
Mr. Wang An Zhong	26th December 2006	26th December 2006 17th May 2013	0.2975	4,000,000				4,000,000
Mr. Shi Guang Rong	26th December 2006	26th December 2006 17th May 2013	0.2975	2,000,000	(800,000)			1,200,000
Mr. Wu Jia Jun	26th December 2006	26th December 2006 17th May 2013	0.2975	1,600,000	(640,000)			960,000
Mr. Zhong Peng Rong	26th December 2006	26th December 2006 17th May 2013	0.2975	1,600,000				1,600,000
Ms. Shen Yan	26th December 2006	26th December 2006 17th May 2013	0.2975	1,600,000	(640,000)			960,000
Continuous contract employees	26th December 2006	26th December 2006 17th May 2013	0.2975	94,000,000	(13,288,000)		(1,648,000)	79,064,000
	4th September 2007	4th September 2007 17th May 2013	1.265			55,200,000		55,200,000
				<u>104,800,000</u>	<u>(15,368,000)</u>	<u>55,200,000</u>	<u>(1,648,000)</u>	<u>142,984,000</u>

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

As at 30th September 2007, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities recorded in the register required to be kept by the Company under section 352 of the SFO, or as required, pursuant to rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(1) Long positions in the shares of the Company

Name of Director	Nature of interests	Number of ordinary shares	Capacity	Percentage to the issued share capital of the Company
Mr. Zhu Wei Sha	Corporate (<i>Note 1</i>)	660,000,000	Interest of a controlled corporation	40.86%
Mr. Chen Fu Rong	Corporate (<i>Note 1</i>)	660,000,000	Interest of a controlled corporation	40.86%
Mr. Shi Guang Rong	Personal (<i>Note 2</i>)	24,800,000	Beneficial owner	1.54%
Mr. Wang An Zhong	Personal (<i>Note 2</i>)	4,336,756	Beneficial owner	0.27%

Notes:

- Messrs. Zhu Wei Sha and Chen Fu Rong held these shares through Super Dragon Co., Ltd. (Super ng held 63.6% and 36.4% of the entire issued share capital respectively.
- nd acts as the trustee for holding these shares in the Company on behalf of the past and present employees of the Group, including Messrs. Shi Guang Rong and Wang An Zhong.

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

Pursuant to the share option scheme approved by the shareholders of the Company on 18th May 2003, Directors were granted share options to subscribe for shares of the Company, details of which as at 30th September 2007 were as follows:

Name of Director	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options				
				At 1st January 2007	Exercised during the period	Granted during the period	Cancelled/lapsed during the period	At 30th September 2007
Mr. Wang An Zhong	26th December 2006	26th December 2006 17th May 2013	0.2975	4,000,000				4,000,000
Mr. Shi Guang Rong	26th December 2006	26th December 2006 17th May 2013	0.2975	2,000,000	(800,000)			1,200,000
Mr. Wu Jia Jun	26th December 2006	26th December 2006 17th May 2013	0.2975	1,600,000	(640,000)			960,000
Mr. Zhong Peng Rong	26th December 2006	26th December 2006 17th May 2013	0.2975	1,600,000				1,600,000
Ms. Shen Yan	26th December 2006	26th December 2006 17th May 2013	0.2975	1,600,000	(640,000)			960,000
				<u>10,800,000</u>	<u>(2,080,000)</u>	<u></u>	<u></u>	<u>8,720,000</u>

Save as disclosed above, none of the Directors or chief executive of the Company had, as at 30th September 2007, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as required to be notified to the Company and the Stock Exchange pursuant to rule 5.46 to the GEM Listing Rules.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far as is known to any Director or chief executive of the Company, as at 30th September 2007, the following were the substantial shareholders (other than Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in the shares of the Company

Name of shareholder	Nature of interests	Number of ordinary shares	Capacity	Percentage to the issued share capital of the Company
Super Dragon (<i>Note 1</i>)	Corporate	660,000,000	Beneficial owner	40.86%
Dragon Treasure (<i>Note 2</i>)	Corporate	400,000,000	Trustee	24.76%

Notes:

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

Save as disclosed above, as at 30th September 2007, the Company has not been notified by any person (other than Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed for the nine months ended 30th September 2007.

COMPETING INTERESTS

None of the Directors or management shareholders of the Company and their respective associates (as defined under the GEM Listing Rules) has an interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group for the nine months ended 30th September 2007.

AUDIT COMMITTEE

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 and financial experience. Three meetings were held during the nine months ended 30th September 2007.

The Group's Unaudited consolidated results for the nine months and three months ended 30th September 2007 have been reviewed by the Committee, which is of the opinion that such financial statements comply with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the nine months ended 30th September 2007.

COMPLIANCE ADVISER'S INTEREST

As at 30th September 2007, none of Anglo Chinese Corporate Finance, Limited (the Compliance Adviser), 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 DIRECTORS

Although the Company has not adopted any code of conduct regarding 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 period under review.

CORPORATE GOVERNANCE PRACTICES

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

The Group has adopted a set of Code on Corporate Governance (the "Code") as the corporate standards and practices used by the Group to direct and manage its business affairs. It is prepared with reference to the principles, code provisions and recommended best practices set out in the Code on Corporate Governance Practices (the "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.

Except the deviations as disclosed in the Company's Interim report 2007, the Company has complied with all the GEM Code during the period under review.

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

Beijing, the PRC, 12th November 2007

* For identification purposes only

As at the date of this announcement, 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 "Best Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication and on the website of the Company at www.bofuec.com.