

**YUXING INFOTECH HOLDINGS LTD :
FOUR WHIZ-KIDS SHOW HOW IT IS DONE**

There are 2 very important aspects with regard to the latest company, applying for a listing on The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd: It has a proven, albeit short, history of making profits; and, it has links with the largest software company in the world, Microsoft Corporation.

Yuxing InfoTech Holdings Ltd is Placing a total of 100 million shares on The GEM at an Issue Price of \$HK4.20 per share.

No shares are being offered to the investing public.

The Company describes itself as being '*engaged in the research and development, design, marketing and sale of information appliances in the PRC (People's Republic of China)...*'.

Everybody has heard of such stories before, over and over again, but, in the case of Yuxing InfoTech, there appears to be a great deal of substance behind this 4-year-old Company.

Commencing business in 1996, the Prospectus paints a very pretty picture of what is, clearly, a winning formula for success in selling '*information appliances, including computer VCDs (Video Compact Discs) and educational computers, and software applications under the ... brandname ... To date, it has already launched six models of computer VCD, five models of educational computer and more than 1,000 software applications ...*'. (Page One of the Prospectus)

The following Trading Record is extracted from Page 63 of the Prospectus:

Year Ended December 31			
	1997	1998	Six Months To June 30, 1999
(All Figures Are Denominated In \$HK'000)			
Turnover:			
1. Computer VCDs	Nil	41,094	203,836
2. Educational Computers	<u>83,159</u>	<u>68,437</u>	<u>9,812</u>
3. Sub-Total	83,159	109,531	213,648
4. Software Applications and Others	<u>15,068</u>	<u>17,587</u>	<u>9,477</u>
TOTAL	98,227	127,118	223,125
Cost of Goods Sold	(65,248)	(77,690)	(132,156)
Gross Profit	32,979	49,428	90,969
Gross Profit Margin	33.60 %	38.90%	40.80%
Selling Expenses	(16,356)	(10,164)	(23,705)
Administrative Expenses	(4,594)	(8,008)	(4,346)
Finance Income, Net	23	82	265
Operating Profit Before Taxation	12,052	31,338	63,183
Other Income *	9,375	20,634	21,881
Profit Before Taxation	21,427	51,972	85,064
Taxation	(7,136)	(17,859)	(27,937)
Profit Attributable To Shareholders	14,291	34,113	57,127

* Other Income represents mainly PRC Government incentive bonuses, granted to high technology companies. It amounted to about

\$HK9.40 million in 1997, about \$HK22.80 million in 1998, and about \$HK21.90 million for the 6 months to June 30, 1999.

At this point, it should be evident to anybody with an ounce of sense that somebody has made a colossal mistake in his/her arithmetic because the 1998 figure for '*Other Income*', as shown on Page 64 and compared with TARGET's table, is wrong -- totally wrong!

The culprit is PricewaterhouseCoopers, the accounting firm upon which the Global Coordinator, Sponsor and Lead Manager, ICEA Capital Ltd, relied in putting together the financials for this Prospectus.

But PricewaterhouseCoopers is not wrong – although it could be suggested that it did not do a very good job in explaining this seeming anomaly – because, on Page 92 of the Prospects, it is stated that, in the 1998 Financial Year, Yuxing InfoTech took a '*net realised loss on disposal of short-term investments*', amounting to about \$HK2.12 million.

What The Company Does

'Information appliances' are described in the Prospectus as being '*consumer electrical appliance incorporating some PC (personal computer) functions such as Internet browsing and video games.*'

These devices include computer VCDs and educational computers.

The growth in sales of computer VCDs in the past 30 months, to June 30, 1999, has been nothing short of spectacular, according to the Trading Records of the Company.

In fact, between December 31, 1998 and June 30, 1999, sales of computer VCDs shot up by about \$HK162.74 million, or about 396 percent.

While sales of educational computers have been on the decline in the track record period, sales of computer VCDs have more than taken up the slack.

The future, according to Management of Yuxing InfoTech, lies, in part at least, in what appears to be new to this analyst: IAMSDP.

This hi-tech term stands for '*Information Appliance Multimedia Software Development Platform*', according to the Glossary of Technical Terms in the Prospectus.

Management hopes to promote IAMSDP as a standard for software application development in the information industry in the PRC.

To this end, and other considerations ... [CLICK TO ORDER FULL ARTICLE](#)