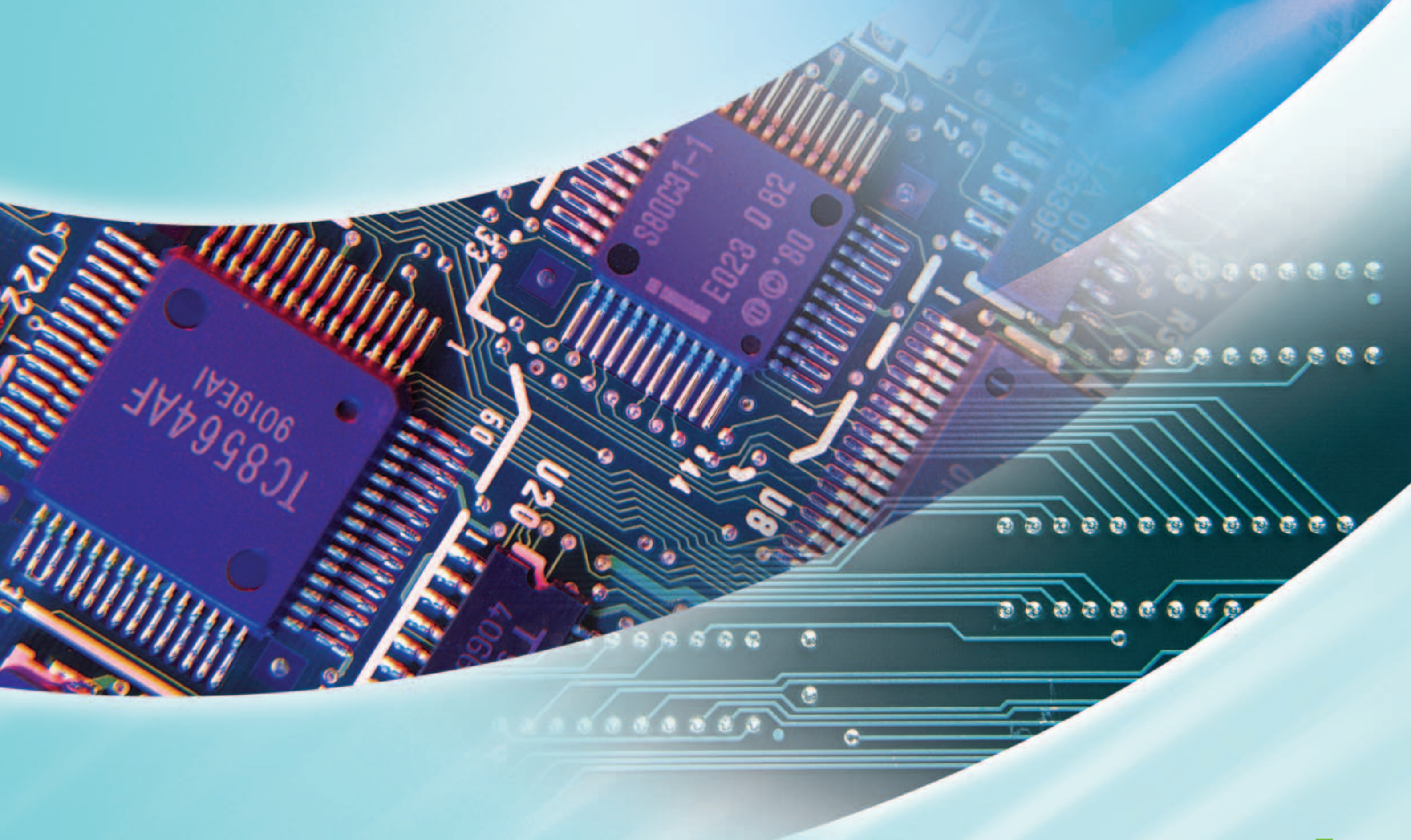
Yuxing InfoTech Holdings Limited

裕興科技控股有限公司*

(incorporated in Bermuda with limited liability)



Annual Report 2004

* for identification purposes only

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.

Content

Corporate Profile

Yuxing InfoTech Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") commenced its business through Beijing Golden Yuxing Electronics and Technology Co., Ltd. ("Golden Yuxing") which was established in the People's Republic of China (other than Hong Kong) (the "PRC") in 1996. Golden Yuxing became a Sino-foreign co-operative joint venture enterprise on 8th November 1999. Through reorganisation, the Company has become the ultimate holding company of the Group. The Company was incorporated in Bermuda as an exempted company on 6th October 1999 and was listed on GEM on 31st January 2000. It successfully raised gross proceeds of approximately HK$420 million.

As a result of the continuous introduction of new products and expansion on range of educational application software to complement sales of hardware, the Group has experienced rapid growth since its establishment.

The Group is principally engaged in research and development, design, manufacturing, marketing, distribution and sale of information home appliances in the PRC. Through sales agents in many parts of the PRC, the Group sells VCD/DVD players, information appliances and e-learning products under "Yuxing" brandname. Currently, the sales network consists of over 5,000 points of sales.

Furthermore, the Group involves in electronic components distribution business by acting as a distributor for different lines of electronic products. In this way, the Group can expand its product lines through developing advance electronic products in the information home appliance industry.

Besides its comprehensive sales network, the Group has established a strong team of research and development professionals, including experienced experts in hardware and software, digital devices, media display and network technology, as well as professionals from the games production and educational application software industries. Under the leading by the Group's professional management team, our products have obtained high reputation in the PRC's market.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Zhu Wei Sha *(Chairman)*
Chen Fu Rong *(Deputy Chairman)*
Shi Guang Rong
Wang An Zhong

Independent Non-executive Directors

Wu Jia Jun
Zhong Peng Rong
Shen Yan

COMPANY SECRETARIES

Di Yu Zeng
Chan Sau Mui Juanna *ACS, ACIS*

QUALIFIED ACCOUNTANT

Wu Wai Ting, Wendy
Certified Practising Accountant of CPA Australia
Member of Hong Kong Institute of Certified Public Accountants

COMPLIANCE OFFICER

Shi Guang Rong

AUTHORISED REPRESENTATIVES

Zhu Wei Sha
Chen Fu Rong

AUDIT COMMITTEE

Wu Jia Jun
Zhong Peng Rong
Shen Yan

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

WEBSITES

http://www.yuxing.com.cn

PRINCIPAL BANKERS

China Merchants Bank
Hang Seng Bank Limited
Industrial and Commercial Bank of China
Shanghai Commercial Bank Limited
Shanghai Pudong Development Bank
The Agricultural Bank of China

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PLACES OF BUSINESS

Hong Kong
Unit 1808, 18th Floor
Tower III, Enterprise Square
9 Sheung Yuet Road
Kowloon Bay
Kowloon

The PRC
9-10/F, Tian Cheng Technology Building
No. 2, Xinfeng Street, De Shen Men Wai
Beijing

SHARE REGISTRARS AND TRANSFER OFFICES

Principal registrar
The Bank of Bermuda Limited
6 Front Street
Hamilton HM11
Bermuda

Branch registrar
Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

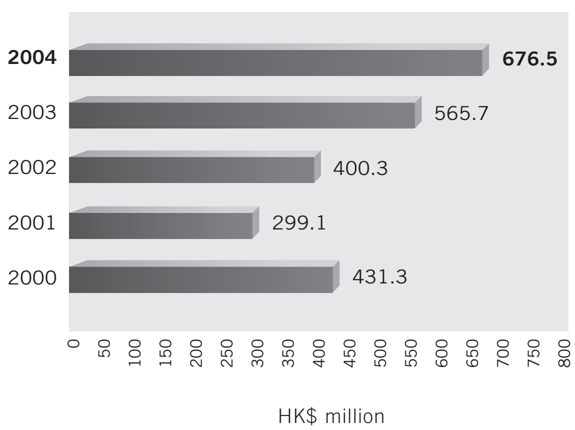
STOCK CODE

8005

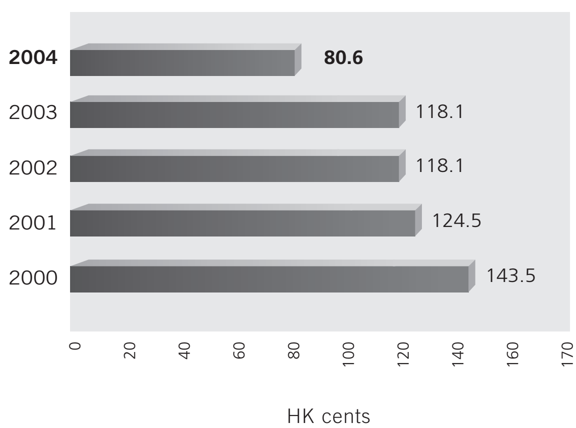
FINANCIAL HIGHLIGHTS

	2004	2003
	HK$'000	HK$'000
Revenue		
Turnover	**676,568**	565,726
Profitability		
(Loss)/profit from operations	**(123,468)**	2,466
Net (loss)/profit for the year	**(139,795)**	223
Net worth		
Shareholders' funds	**322,346**	472,488
Per share		
(Loss)/earning per share – Basic	**(34.95) cents**	0.06 cent
Net assets per share	**80.6 cents**	118.1 cents

TURNOVER



NET ASSETS PER SHARE



FINANCIAL CALENDAR

Results for the year	Announcement on 30th March 2005
Annual report	Despatched to shareholders in late March 2005
Annual general meeting	20th May 2005

Chairman's Statement

FOREWORD

First of all, I would like to apologize for the unexpected prolonged suspension of the trading in the shares of the Company on GEM since 26th August 2004. The suspension was requested by the Company as one of the Company's wholly-owned subsidiaries entered into a very substantial acquisition agreement on 10th August 2004 to make an investment indirectly in 51 million domestic institutional shares of Ping An Insurance (Group) Company of Chinese Limited ("Ping An"), a listed company on the main board of the Stock Exchange, for an aggregate consideration of RMB217 million. The purchase price per share was determined at a discount to Ping An's published net asset value per share as stated in its interim financial report for the six months ended 30th June 2004.

The investment in Ping An, one of the largest and the most profitable insurance companies in the PRC, held the prospect of an excellent return for the overall shareholders of the Company in terms of satisfactory dividend income growth and capital appreciation and might be beneficial to the Group's overall business activities in the PRC. From a hind-sight, the value of this investment has increased by over 10% within a short period of time since the date of our acquisition agreement based on various asking prices for such domestic shares of Ping An received by the Group recently.

Nevertheless, during this period of prolonged suspension of trading in the Company's shares, the Group's senior management has spent strenuous effort in resolving the outstanding issues for clearing an announcement for disclosure of the very substantial acquisition with the Stock Exchange. Despite the voluminous documents and legal opinions that have been provided to the Stock Exchange, the Group was not able to obtain the Stock Exchange's clearance for issuing an announcement in regards to this very substantial acquisition. The following paragraph describes briefly with respect to this very substantial acquisition. Furthermore, the Company plans to issue a full-announcement upon receiving clearance from HKSC.

The transaction was entered by an agreement dated on 10th August 2004, through the Company's wholly owned subsidiary, Beijing Golden Yuxing Electronics Co., Ltd. ("Golden Yuxing") which has acquired from Shanshui Jianlibao Health Industry Investment Co., Ltd. ("SJHII"), a 10.435% equity interest in Shenzhen Jiangnan Industrial Development Co., Ltd. ("JI"), which the company holds approximately 479 million domestic institutional shares in Ping An. The Consideration was RMB217 million, equivalent to approximately HK$204.3 million, and was determined as if the Company has made an investment directly in 51 million Ping An domestic institutional shares and valued each share, on average, at approximately RMB4.255, representing a 1.14% discount to its published net asset value per share of approximately RMB4.304 as at 30th June 2004.

The consideration was effectively settled by January 2005 and the 10.435% interests in JI was transferred to Golden Yuxing in early September 2004 thus completing a very substantial acquisition without prior shareholders' approval and thereby breaching certain Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") by the Company.

OPERATION IN REVIEW

The Group's overall sales revenue continue to improve with year-over-year growth of 19.6% to approximately HK$676.6 million. The major two star divisions namely Integrated Circuits ("IC") division and Information Appliance ("IA") division continue to perform strongly. The IC division has grown by 60.2% in terms of revenue due to a significant increase in terms of market expansion and product mix. This division has now entered into the Yangtze River Delta by establishing a regional office to capture the opportunities in that region. Although the IA division has not seen the glorious increase in revenue as the IC division, the newly acquired Japanese market could prompt the IA division by setting up a new service center in Japan. Furthermore, the IA division continues to work closely with a variety of system integrators and telecom equipment providers in order to capture the potential uprising home media networking, internet protocol television (“IPTV”), and video-on-demand (“VOD”) markets. Currently, the IA division is working very closely with a renowned telecom equipment provider in tendering a potential deal in the Indian market.

On the other hand, the Audio-Visual (“AV”) division, primarily focuses on the domestic distribution market, has subsided significantly and has also incurred a huge loss. The Group’s senior management is working closely to determine the future of this particular operation as the Group can no longer tolerate the continuous bleeding caused by this division.

Although the OEM/Optical Components (“OEM”) division also incurred a huge loss, this is mainly caused by various cost associated with the initial establishment of our new factory, which included a new manufacturing facility for complicated optical pick-up units, in Zhongshan, Guangdong province. To the Group’s senior management, this involves a new technology and territory that the senior management was not very familiar with and as such, certain higher initial set-up and learning costs were incurred.

FORWARD LOOKING

Year 2004 is definitely a very lively year for the Group. While the Group’s senior management works strenuously to improve the overall shareholders’ return, there were certain steps which may not meet the modern-day corporate governance requirements. Therefore, the Group’s senior management has decided to enforce very comprehensive internal control and compliance procedures in order to improve the overall corporate governance. Moreover, the Group will likely engage one of the renowned international accounting firms to help the Group design a comprehensive internal compliance manual.

The Group will continue to seek undervalue investments which can provide superb return to the shareholders of the Company and can yield synergies to the Group’s existing business activities. The Group will also ensure that the steps in making these investments also meet the new internal compliance manual as mentioned above.

In terms of the Group’s operating divisions, more efforts and resources will be injected into the Group’s two star divisions especially the IA division where an emerging market potential is becoming ever visible. The Group is considering the possibility of inviting a major strategic partner with the possibility of certain cooperation in the equity level to jointly develop this particularly attractive business.

Lastly, I would like to apologize again with regards to the prolonged suspension of trading in the Company’s shares and I am confident and believe that the trading in shares of the Company on GEM can be resumed in the nearest future.

Chen Fu Rong
Deputy Chairman

Shenzhen, the PRC, 30th March 2005

Group Financial Summary

CONSOLIDATED RESULTS

For the year ended 31st December

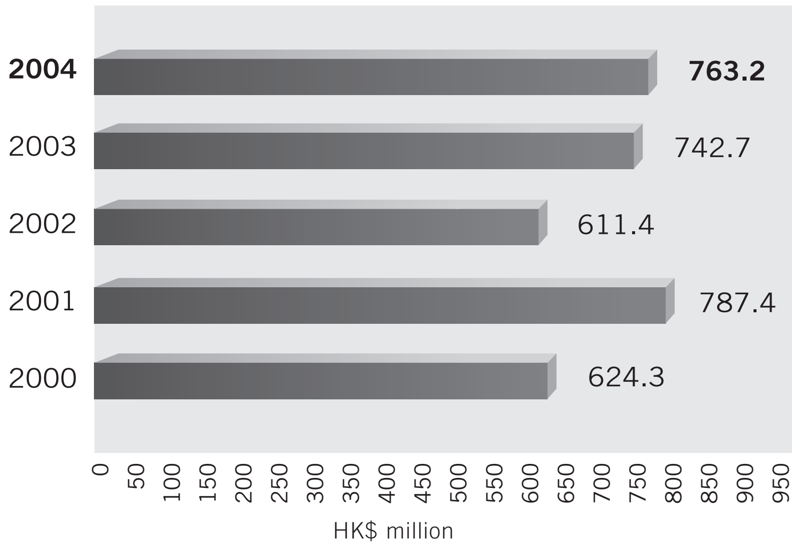
	2004	2003	2002	2001	2000
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**676,568**	565,726	400,296	299,121	431,342
(Loss)/profit before taxation	**(133,330)**	2,321	(24,093)	(75,077)	40,978
Taxation	**(2,030)**	(699)	(507)	(349)	–
(Loss)/profit before minority interests	**(135,360)**	1,622	(24,600)	(75,426)	40,978
Minority interests	**(4,435)**	(1,399)	(997)	(807)	–
Net (loss)/profit for the year	**(139,795)**	223	(25,597)	(76,233)	40,978

CONSOLIDATED ASSETS AND LIABILITIES

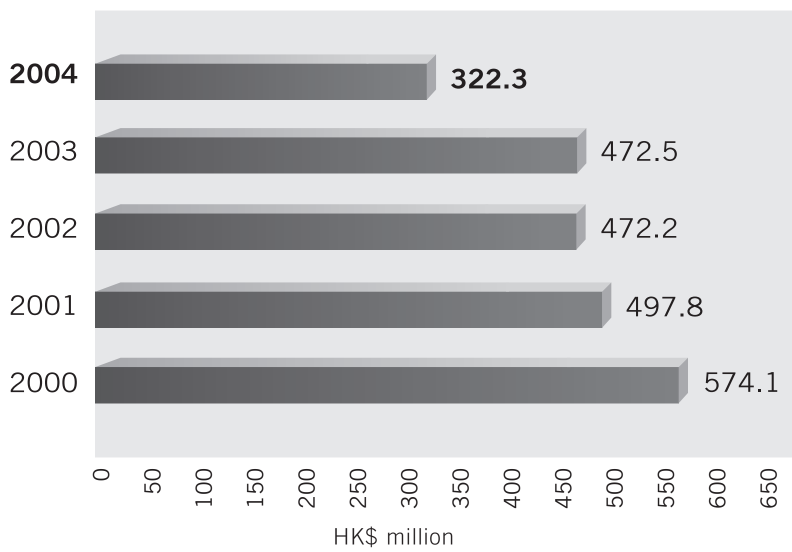
As at 31st December

	2004	2003	2002	2001	2000
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**763,229**	742,728	611,359	787,414	624,289
Total liabilities	**(427,357)**	(261,149)	(132,819)	(283,864)	(50,237)
Minority interests	**(13,526)**	(9,091)	(6,320)	(5,707)	–
Shareholders' funds	**322,346**	472,488	472,220	497,843	574,052

TOTAL ASSETS



NET ASSETS



FINANCIAL REVIEW

TURNOVER AND GROSS PROFIT

Although the financial year 2004 was a lively year for the Group, the major two divisions namely Integrated Circuits ("IC") division and Information Appliance ("IA") division continue to perform strongly. The Group's turnover enjoyed over 19.6% growth to approximately HK$676.6 million, however, the gross profit decreased by 25.4% to approximately HK$40.5 million as compared to last year due to initial start-up cost caused by the Group's new factory.

OPERATING RESULTS

Other Operating Income

Other operating income decreased to approximately HK$15.2 million (2003: approximately HK$20.5 million). This was mainly due to the lower investment income incurred.

Operating Expenses

In 2004, the Group incurred one-time provisional expenses of approximately HK$120.5 million. Without the effect of the one-time provisional expenses, the Group's operating expenses had declined by 18.9% to approximately HK$58.7 million compared with the last year.

Finance Costs

Finance costs increased significantly to approximately HK$7.6 million as the Group has financed certain of its investments through bank borrowings.

NET LOSS FOR THE YEAR

Net Loss for the year of approximately HK$139.8 million was recorded by the Group, representing a significant drop over a net profit of approximately HK$0.2 million for last year due to the above-mentioned reasons.

LIQUIDITY, CHARGE ON GROUP ASSETS AND FINANCIAL RESOURCES

As at 31st December 2004, the Group had net current assets of approximately HK$205.4 million. The Group had cash and pledged bank deposits totalling approximately HK$235.4 million, of which approximately HK$107.5 million were pledged with banks for banking facilities. In addition, the Group had long-term financing of approximately HK$8.0 million. The current and gearing ratios of the Group at the year end 2004 were 1.49 and 0.02 times respectively. 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 GEM on 31st January 2000. There has been no change in the capital structure of the Company since that date.

SIGNIFICANT INVESTMENTS/MATERIAL ACQUISITIONS AND DISPOSALS

During the year of 2004, the Company made an indirect investment in 51 million domestic institutional shares of Ping An, one of China's largest insurance companies, through acquiring 10.435% equity interest in JI at a consideration of RMB217 million, equivalent to approximately HK$204.3 million. The Directors considered the acquisition of an effective equity interest in Ping An represented an attractive investment which held out the prospect of satisfactory dividend income growth and capital appreciation given the dynamics of a fast growing market for both life and general accident insurance in the PRC.

SEGMENT INFORMATION

The financial year 2004 was a lively year for the Group, the Group's total turnover of information home appliances decreased significantly by 26.1% to approximately HK$183.6 million as compared to last year and an operating loss of approximately HK$6.2 million was incurred as compared to an operating profit of approximately HK$2.2 million last year. This decrease was mainly due to the expected slower increase in the new subscriber base of IA Division's largest customer – PCCW-HKT, high restructuring cost for the AV division and the initial high start-up and learning cost for the OEM division.

In this fiscal year, due to a strong demand for the latest digital consumer electronics products in both global and the PRC, the total turnover of electronic components for the year increased significantly by 60.2% to approximately HK$468.3 million as compared to last year. Hence, an operating profit of approximately HK$4.3 million was incurred this year.

Geographical markets of the Group were mainly located in the PRC. During the year 2004, the PRC market had a strong demand for the latest digital consumer electronic products. As a results, the PRC market saw a strong revenue growth of 34.7% to approximately HK$440.9 million as compared to last year.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Most of the trading transactions and assets of the Group were denominated in Renminbi and the remaining portions were denominated in US dollars and Hong Kong dollars. As the Group believes that Renminbi will remain relatively stable in the foreseeable future, it will increase the proportion of Renminbi-denominated financial assets to minimise the downside of exchange risk. No hedging or other alternative measures have been implemented by the Group. As at 31st December 2004, the Group had no significant exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

HUMAN RESOURCES

As at 31st December 2004, the Group had over 1,200 full time employees, of which 16 were based in Hong Kong and the rest were in the PRC. For the year ended 2004, staff costs amounted to approximately HK$17.1 million (2003: approximately HK$16.2 million). All employees of the Company's subsidiaries are selected and promoted based on their suitability to the position offered. The salary and benefit levels of the Group's employees are in line with that of 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.

BUSINESS REVIEW

The Group's overall sales revenue continue to improve during the year in review with the overall sales turnover increased by 19.6% to approximately HK$676.6 million. However, the contribution mainly come from the Group's IC division which saw a stunning rise. In addition, the IA division continues to be the most profitable business among the Group's four main operating divisions as the order from the division's largest customer continued during the year in review. Nevertheless, the Group's overall operating profit continues to suffer due to the restructure of the Group's problem child, the AV division and the unexpected high initial start-up and learning cost of the new factory located in Zhongshan, Guangdong province which was newly established within the Group's OEM division in May 2004. As such, both the AV and OEM divisions continue to suffer large losses which significantly dragged down the Group's operating performance to a loss of approximately HK$10.3 million. After eliminating certain one-time provisions and expenses of approximately HK$120.5 million, the Group registered a net loss of approximately HK$139.8 million.

During the year 2004, both global and the PRC economies continue to thrive and this has further led to a strong demand for the latest digital consumer electronics products. One of the Group's two main star operating businesses namely IC division, which is well-positioned to capture the opportunity in this increasing demand, continue to record strong performances. As mentioned above, the IC division saw a strong revenue growth of 60.2% to approximately HK$468.3 million while its profit contribution recorded approximately HK$4.3 million, also a strong increase comparing with the loss of approximately HK$4.4 million in the previous year. Furthermore, in order to expand the IC division's market presence, during the year in review, the IC division has further set up a new regional office in Shanghai, the PRC to better serve the rising number of electronic product manufacturers in the Yangtze River Delta.

Although the IA division's overall revenue remained stagnant due to the expected slower increase in the new subscriber base of its largest customer PCCW-HKT, the division's own customer base has increased. The IA division has secured a major Japanese customer which has already begun placing orders with the division. In addition, through its existing partnership with various major telecom equipment providers, the IA division has also begun negotiation for potential set-top box shipment in 2005.

As for the AV division, the overall business and operational restructure continue and as such the revenue contribution from this division has significantly shrunk. Furthermore, the AV division has also incurred certain high restructuring cost. As such, a loss of approximately HK$14.3 million was recorded. Meanwhile, for the OEM division, similarly, an initial high start-up and learning cost were also incurred and thus, dragging down the Group's overall financial performance.

BUSINESS PROSPECT

Looking forward, the Group's senior management continues to believe that the two star divisions of the Group, namely IC and IA divisions will continue to contribute most of the profit and sales revenue towards the Group's consolidated financial performances. Currently, one of the hottest topics in the global technology industry is the development of IPTV and home media networking. As one of the top players in this particular field, the Group believes that there lies plenty of opportunities for the IA division. The IA division has shown its competitiveness by entering the Japanese market which traditionally has been one of the toughest markets in terms of quality and function requirements for most electronics product manufacturers. Nevertheless, as the IA division's business exposure in Japan is rising, the Group is evaluating the feasibility of establishing a Japanese branch in order to better serve its various partners and customers in that particular country. The Group further expects that the potential business opportunity for the IA division will be more vibrant in the years to come. Therefore, the Group will be dedicating more resources into this division in order to provide the optimal return for the Company's shareholders.

Furthermore, the Group is also considering injecting more resources in the IC division which has also shown superior financial performances over the past two years. As the global demand of niche electronics products improves and the increase in the demand of electronics manufacturing sector in the PRC, the IC division which provides integrated embedded solutions will also be able to capture the opportunities that associated with the above two trends. By establishing a service center in Shanghai, PRC, the IC division will commence to expose to boom electronic product manufacturing industry in the Yangtze River Delta. The Group continues to expect strong operating performances from the IC division in the coming years.

As the Group's two other divisions which are currently losing money, the Group is also actively patching up the problems which they face. Although there are still many uncertainties ahead with these two divisions, the Group is confident that the two businesses will return to profit within the coming one or two years.

EXECUTIVE DIRECTORS

Mr. Zhu Wei Sha, aged 50, is a co-founder of the Group. He has been the chairman of the Board and the president of the Group since 1996. He graduated from the Department of Automatic Control of the Beijing Industrial University with a bachelor degree in engineering. He had worked at the Beijing Machinery Electronic Research Institute and the Industrial Economic Research Department of the China Social Science Institute and as the legal representative and general manager of the Beijing Shanchuan Jinji Technology Company. He is a committee member of the Political Consultative Committee and Democracy and Constructive Alliance in Beijing. Mr. Zhu has an extensive experience and insights in corporate management and operation as well as solid technological background. He also has an in-depth understanding of the growth of a corporation by combining the concept of both capital investment and business operation. He has accumulated years of successful experience in this regard. Mr. Zhu is currently a director and a shareholder of Super Dragon Co., Ltd. ("Super Dragon") which has 41.25% interests in the share capital of the Company.

Mr. Chen Fu Rong, aged 44, is a co-founder of the Group. He has been a vice president of the Group since 1996. He graduated from the Department of Automatic Control of the Beijing Industrial University with a bachelor degree in engineering. He had worked at the Industrial Economic Research Department of the China Social Science Institute and Beijing Machinery Electronics Co. and has extensive experience in computer hardware design and management of research and development activities. Mr. Chen possesses 12 years' experience in research and development and engineering management. Mr. Chen is currently the executive president of Sheng Bang, a wholly-owned subsidiary of the Group and is a director and a shareholder of Super Dragon.

Mr. Wang An Zhong, aged 48, is a vice president of the Group. He graduated with a master degree in engineering from the Department of Computer Science of the Beijing Industrial University. He was an associate professor and has extensive experience in lecturing and scientific research. He managed and was involved in a number of the State's research projects and won several awards. Mr. Wang joined the Group in 1997 as the general manager of the research and development department. He is currently the Vice President-Operations of Golden Yuxing.

Mr. Shi Guang Rong, aged 44, has been a vice president of the Group since 1996. He graduated with a bachelor degree in engineering from the Department of Automatic Control of the Beijing Industrial University. He had worked at various enterprises in the PRC. He is responsible for the marketing and public relation matters of the Group and possesses 14 years' experience in product marketing and promotion. Mr. Shi is currently the Chief Executive Officer of Yuxing Technology Company Limited, a wholly-owned subsidiary of the Group in Hong Kong and is a director of Dragon Treasure Ltd. ("Dragon Treasure") which has 33.63% interests in the share capital of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wu Jia Jun, aged 72, is currently a researcher at the China Social Science Institute, a mentor professor for doctorate students and an executive vice president of the Industrial and Economic Research and Development Association of China. He served as the vice general manager of the Chinese Industrial and Economic Research Institute from 1980 to 1993, and the vice president of the Young Entrepreneurs Association of China. Mr. Wu has extensive experience in conducting research in the economy and industries of the PRC and also in corporate management. He is a renowned scholar in Japanese corporate and industrial management of which he has an in-depth knowledge. He has published several books and articles on corporate management and economic reform. Mr. Wu was appointed as an Independent Non-executive Director in October 1999.

Mr. Zhong Peng Rong, aged 50, is a renowned Chinese economist. He worked with the central government of the PRC for many years as a chief researcher. He now serves as a professor of several famous universities and as an adviser to over 20 enterprises and local governments of the PRC. As the chairman and research fellow of the Beijing Shiye Consultancy Centre, he has formulated development strategies for enterprises in different industries and for local governments. He has an in-depth understanding of the macroeconomic environment and government administration in the PRC. Mr. Zhong was appointed as an Independent Non-executive Director in October 1999.

Ms. Shen Yan, aged 41, holds a bachelor degree in Accounting and has 10 years of experience in accounting and 6 years of experience in auditing. She is currently a tutor of North China University of Technology. Ms. Shen was appointed as an Independent Non-executive Director in January 2005.

COMPANY SECRETARIES

Mr. Di Yu Zeng, aged 44, is the company secretary of the Group. Before joining the Group in 1997, he served as the chief secretary of the president's office, an assistant manager of the research department and the head of the equity securities department at Beiren Printing Machinery Holdings Limited, a PRC company listed on the Stock Exchange, and was responsible for the administration of securities related matters.

Ms. Chan Sau Mui, Juanna, aged 41, is the company secretary of the Group. Ms. Chan is an associate member of the Hong Kong Institute of Company Secretaries and the Institute of Chartered Secretaries & Administrators respectively. Ms. Chan joined the Group in 2001 and has five years of experience in the company secretary field.

SENIOR MANAGEMENT

Mr. Sun Li Jun, aged 43, is the vice president of the Group. He graduated with a bachelor degree in engineering from the Department of Automatic Control of the Beijing Industrial University. He had worked at the Beijing Machinery group and the Industrial Economic Research Department of the China Social Science Institute. He is a co-founder of the Group and has 12 years' experience in financial management. Mr. Sun is currently a director of Dragon Treasure.

Mr. Liu Chia Yao, Joseph, aged 38, is the Chief Stategist of the Group. He is primarily responsible for the overall business planning, management and administration of the Group. Mr. Liu graduated from University of British Columbia with a Bachelor Degree in Engineering Physics and a Master Degree in Business Administration in the University of British Columbia. Prior to joining the Group in July 2003, Mr. Liu has worked for a number of investment banks and venture capital firms specialising in the technology industry throughout Asia and the United States.

Miss Wu Wai Ting, Wendy, aged 32, is the finance manager of the Group. She is a graduate of the Australia Monash University with a master degree in Practising Accounting and holds a bachelor degree of business (International Trade). Miss Wu is a Certified Practising Accountant of CPA Australia and a member of the Hong Kong Institute of Certified Public Accountants. She has 7 years' experience in accounting and finance. Miss Wu joined the Group in March 2000.

Directors' Report

The Directors have pleasure in submitting to all shareholders their report together with the audited financial statements for the year ended 31st December 2004.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 36 to the financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 4 to the financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 25 to the financial statements.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31st December 2004 are set out in the consolidated income statement on page 26.

The Directors do not recommend the payment of a final dividend for the year.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 29 and note 27 to the financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

DISTRIBUTABLE RESERVES

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.

At 31st December 2004, no reserve is available for distribution to shareholders. At 31st December 2003, the reserves available for distribution to shareholders was approximately HK$111,059,000 which represents the net of contributed surplus of HK$146,000,000 and accumulated loss of approximately HK$34,941,000.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws and there is no restriction against such rights under the laws of Bermuda.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 7.

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.

SHARE OPTIONS

Details of the Company's share option schemes are set out in note 26 to the financial statements.

The following table discloses movement in the Company's share options held by an Executive Director during the year:

			Number of share options			
Name of director	Exercise price per share HK$	Exercisable period	At 1st January 2004	Exercised during the year	Granted during the year	At 31st December 2004
Mr. Wang An Zhong	0.95	28th November 2001 to 27th November 2005	1,000,000	–	–	1,000,000

Other than as disclosed above, at no time during the year was the Company, or its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the chief executive of the Company, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

Details of the movement in the Company's share options held by continuous contract employees (other than the Directors) during the year are set out in note 26 to the financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

A brief biographical details of Directors and senior management are set out on pages 13 and 14.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors:

Mr. Zhu Wei Sha *(Chairman)*
Mr. Chen Fu Rong *(Deputy Chairman)*
Mr. Shi Guang Rong
Mr. Wang An Zhong

Independent Non-executive Directors:

Mr. Wu Jia Jun
Mr. Zhong Peng Rong
Ms. Shen Yan (appointed on 12th January 2005)
Ms. Ye Lianru (appointed on 30th September 2004 and resigned on 12th January 2005)

In accordance with bye-law 87 of the Company's bye-laws, Messrs. Chen Fu Rong and Shi Guang Rong retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has entered into a service contract with the Company for a term of three years from 7th October 1999 and has automatically renewed the service contract upon the expiry of the initial term of three years on 7th October 2002. Their respective service contracts (which is automatically renewed upon expiry for successive terms of one year) are subject to termination by either party given not less than 6 months' notice in writing.

The Independent Non-executive Directors, Messrs. Wu Jia Jun and Zhong Peng Rong, were appointed for a two-year term expiring on 24th October 2003 and have accepted to continue their appointment for another two-year term expiring on 24th October 2005. Ms. Shen Yan has entered into an appointment letter with the Company as Independent Non-executive Director for a term of one year commencing from 12th January 2005.

Save as disclosed above, no Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

During the year, the Group through a wholly owned subsidiary Golden Yuxing entered into agreements with SJHII, in which Mr. Zhu Wei Sha, a Director, has an effective 8.1% interest, for the acquisition of a 10.435% interest in JI at a consideration of RMB217,000,000 (approximately HK$204,274,000 million). Details of the transaction are set out in note 16 to the financial statements.

During the year, the Group advanced an amount of RMB5,000,000 (approximately HK$4,706,000) to a non wholly owned subsidiary of SJHII.

Save as disclosed above the Directors' service contracts disclosed in this annual report, no contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' emoluments and the five highest paid individuals in the Group are set out in notes 7 and 8 to the financial statements.

CONFIRMATION OF INDEPENDENCE BY INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company confirms that it has received from each of the Independent Non-executive Directors an annual confirmation of his/her independence pursuant to rule 5.09 of the GEM Listing Rules and considers, based on the confirmations received, the Independent Non-executive Directors to be independent.

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

As at 31st December 2004, 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 and Futures Ordinance ("SFO")) as 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 *(Note 1)*	165,000,000	Interest of a controlled corporation	41.25%
Mr. Chen Fu Rong	Corporate *(Note 1)*	165,000,000	Interest of a controlled corporation	41.25%
Mr. Shi Guang Rong	Personal *(Note 2)*	6,000,000	Beneficial owner	1.50%
Mr. Wang An Zhong	Personal *(Note 2)*	1,084,189	Beneficial owner	0.27%

Notes:

1. Messrs. Zhu Wei Sha and Chen Fu Rong held these shares through Super Dragon, a company in which Messrs. Zhu Wei Sha and Chen Fu Rong held 63.6% and 36.4% of the entire issued share capital 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.

(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 January 2000, a Director in the capacity as beneficial owners was granted unlisted and physically settled share options to subscribe for shares of the Company, details of which as at 31st December 2004 were as follows:

				Number of share options			
Name of Director	Date of grant	Exercise price per share HK$	Exercisable period	At 1st January 2004	Exercised during the year	Granted during the year	At 31st December 2004
Mr. Wang An Zhong	28th November 2000	0.95	28th November 2001 to 27th November 2005	1,000,000	–	–	1,000,000

Name of interests	Number of ordinary shares	Capacity	Percentage to the issued share capital of the Company
Personal	1,000,000	Beneficial owner	0.25%

(3) Aggregate long positions in the shares and underlying shares of the Company

Name of Director	Aggregate number in ordinary shares	Aggregate number of underlying shares	Total	Percentage to the issued share capital of the Company
Mr. Zhu Wei Sha	165,000,000	–	165,000,000	41.25%
Mr. Chen Fu Rong	165,000,000	–	165,000,000	41.25%
Mr. Shi Guang Rong	6,000,000	–	6,000,000	1.50%
Mr. Wang An Zhong	1,084,189	1,000,000	2,084,189	0.52%

Save as disclosed above, none of the Directors or chief executive of the Company had, as at 31st December 2004, 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 31st December 2004, 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 *(Note 1)*	Corporate	165,000,000	Beneficial owner	41.25%
Dragon Treasure *(Note 2)*	Corporate	134,508,000	Trustee	33.63%

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 31st December 2004, 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 during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

–	the largest supplier	52.5%
–	five largest suppliers combined	60.6%

Sales

–	the largest customer	12.8%
–	five largest customers combined	35.7%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers and major customers noted above.

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.

BOARD PRACTICES AND PROCEDURES

During the year, the Company was in compliance with the board practices and procedures as set out in rules 5.34 to 5.45 of the GEM Listing Rules, which applied before the amendment of the GEM Listing Rules relating to the Code on Corporate Governance Practices and Rules on Corporate Governance Report become effective on 1st January 2005. The Company will prepare a Corporate Governance Report in accordance with rule 18.44(2) of the GEM Listing Rules for the financial year ending 31st December 2005.

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, namely Mr. Wu Jia Jun, Mr. Zhong Peng Rong and Ms. Shen Yan. Mr. Wu Jia Jun was appointed as the chairman of the Committee. Four meetings were held during the current financial year.

The Group's audited results for the current financial year have been reviewed by the Committee, who 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.

COMPETING INTERESTS

None of the Directors or management shareholders of the Company and their respective associates (as defined in 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 during the year.

AUDITORS

Messrs. PricewaterhouseCoopers, who acted as auditors of the Company since the listing of the Company, 30th January 2000, had resigned on 9th July 2002 and Messrs. Deloitte Touche Tohmatsu were appointed as auditors of the Company on 16th August 2002 to fill the casual vacancy.

A resolution will be submitted to the 2005 annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board
Yuxing InfoTech Holdings Limited
Chen Fu Rong
Deputy Chairman

Shenzhen, the PRC, 30th March 2005

Deloitte.
德勤

TO THE SHAREHOLDERS OF YUXING INFOTECH HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 26 to 69 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's Directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants, except that the scope of our work was limited as explained below.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. However, the evidence available to us was limited. As disclosed in note 16 to the financial statements, as at 31st December 2004, the Group held a 10.435% interest in Shenzhen Jiangnan Industrial Development Co., Ltd. ("JI"), a company which holds certain interests in the domestic institutional shares of Ping An Insurance (Group) Company of Chinese Limited. The interest in JI is included in the balance sheet at the Directors' estimated fair value of approximately HK$204,274,000. However, we were unable to obtain sufficient financial information relating to JI to satisfy ourselves that this amount is free from material misstatement. Any adjustment found to be necessary to the above amount would have a consequential effect on the net assets of the Group and of the Company as at 31st December 2004 and on the net loss of the Group for the year then ended.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

DISCLAIMER OF OPINION

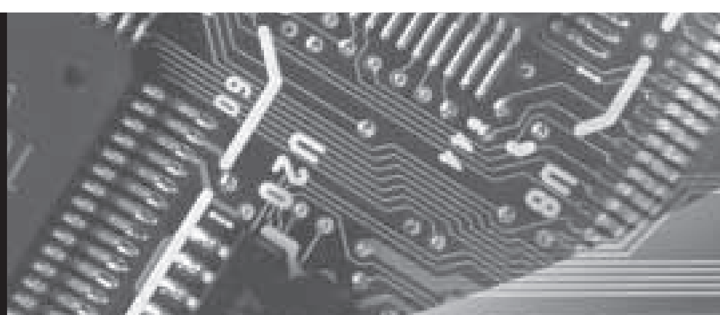
Because of the significance of the possible effect of the limitation in evidence available to us in respect of the investment in JI, we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st December 2004 or of its loss and cash flows of the Group for the year then ended and as to whether the financial statements have been properly prepared in accordance with the disclosure requirement of the Hong Kong Companies Ordinance.

In respect alone of the limitation on our work relating to the investment in JI, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 30th March 2005

	Notes	2004 HK$'000	2003 HK$'000
Turnover	4	**676,568**	565,726
Cost of sales		**(636,080)**	(511,444)
Gross profit		**40,488**	54,282
Other operating income	5	**15,182**	20,497
Selling expenses		**(19,038)**	(39,908)
General and administrative expenses		**(52,734)**	(31,810)
Other operating expenses		**(1,027)**	(595)
Impairment loss recognised on other assets	19	**(61,310)**	–
Allowance for loans receivables	21	**(45,029)**	–
(Loss)/profit from operations	6	**(123,468)**	2,466
Finance costs	9	**(7,606)**	(611)
Share of results of associates		**(2,256)**	(295)
Gain on disposal of a subsidiary		**–**	761
(Loss)/profit before taxation		**(133,330)**	2,321
Taxation	10	**(2,030)**	(699)
(Loss)/profit before minority interests		**(135,360)**	1,622
Minority interests		**(4,435)**	(1,399)
Net (loss)/profit for the year		**(139,795)**	223
Dividend	11	**10,000**	–
(Loss)/earning per share			
– Basic	12	**(34.95) cents**	0.06 cent



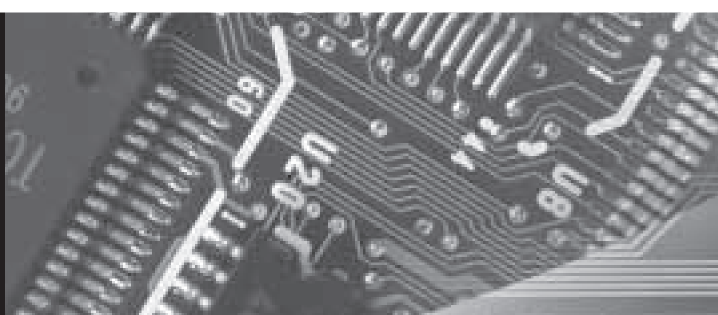
Consolidated Balance Sheet
As at 31st December 2004

	Notes	**2004 HK$'000**	2003 HK$'000
Non-current assets			
Property, plant and equipment	13	**130,016**	51,063
Intangible assets	14	**1,332**	2,822
Investments in securities	16	**6,366**	4,739
Interests in associates	17	**753**	3,009
		138,467	61,633
Current assets			
Inventories	18	**77,243**	119,902
Other assets	19	**–**	56,604
Trade and other receivables	20	**100,429**	129,571
Loans and interest receivables	21	**–**	37,812
Taxation recoverable		**127**	–
Investments in securities	16	**211,565**	13,931
Pledged bank deposits	29	**107,549**	22,777
Bank balances and cash		**127,849**	300,498
		624,762	681,095
Current liabilities			
Trade and other payables	22	**193,839**	167,871
Taxation payable		**1,590**	132
Obligations under finance leases – due within one year	23	**1,426**	–
Bank and other loans – due within one year	24	**222,463**	93,146
		419,318	261,149
Net current assets		**205,444**	419,946
Total assets less current liabilities		**343,911**	481,579
Capital and reserves:			
Share capital	25	**40,000**	40,000
Reserves		**282,346**	432,488
Shareholders' funds		**322,346**	472,488
Minority interests		**13,526**	9,091
Non-current liabilities			
Obligations under finance leases – due after one year	23	**2,373**	–
Bank and other loans – due after one year	24	**5,666**	–
		8,039	–
		343,911	481,579

The financial statements on pages 26 to 69 were approved and authorised for issue by the Board of Directors on 30th March 2005 and are signed on its behalf by:

Chen Fu Rong
Deputy Chairman

Shi Guang Rong
Vice President

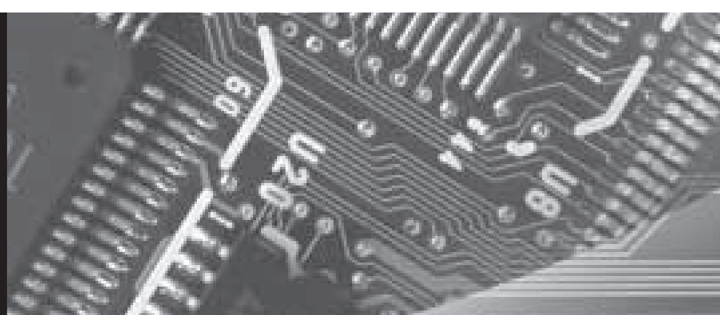


	Notes	2004 HK$'000	2003 HK$'000
Non-current asset			
Interests in subsidiaries	15	**284,720**	366,254
Current assets			
Trade and other receivables	20	**537**	397
Loans and interest receivables	21	**–**	31,129
Pledged bank deposits	29	**90,315**	–
Bank balances and cash		**9,310**	146,639
		100,162	178,165
Current liabilities			
Trade and other payables	22	**1,266**	1,092
Amounts due to subsidiaries		**2,986**	10,555
		4,252	11,647
Net current assets		**95,910**	166,518
Total assets less current liabilities		**380,630**	532,772
Capital and reserves:			
Share capital	25	**40,000**	40,000
Reserves	27	**340,630**	492,772
Shareholders' funds		**380,630**	532,772

Approved by the Board on 30th March 2005 and signed on behalf of the Board by:

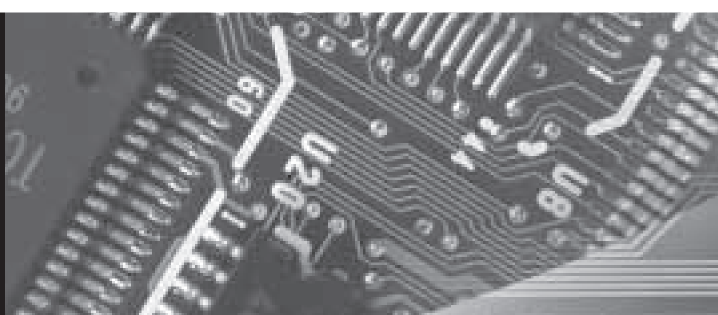
Chen Fu Rong
Deputy Chairman

Shi Guang Rong
Vice President

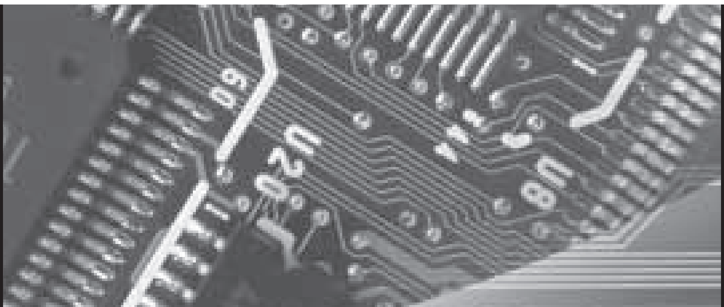


	Share capital HK$'000 *(Note 25)*	Share premium HK$'000	Statutory reserves HK$'000 *(Note)*	Translation reserves HK$'000	Retained profits/(loss) HK$'000	Total HK$'000
At 1st January 2003	40,000	381,713	11,767	1,034	37,706	472,220
Exchange adjustments arising on translation of financial statements of subsidiaries outside Hong Kong and gain not recognised in the consolidated income statement	–	–	–	46	–	46
Realised on disposal of a subsidiary	–	–	–	(1)	–	(1)
Net profit for the year	–	–	–	–	223	223
At 31st December 2003	40,000	381,713	11,767	1,079	37,929	472,488
Exchange adjustments arising on translation of financial statements of subsidiaries outside Hong Kong and loss not recognised in the consolidated income statement	–	–	–	(347)	–	(347)
Net loss for the year	–	–	–	–	(139,795)	(139,795)
2003 final dividend paid	–	–	–	–	(10,000)	(10,000)
At 31st December 2004	**40,000**	**381,713**	**11,767**	**732**	**(111,866)**	**322,346**

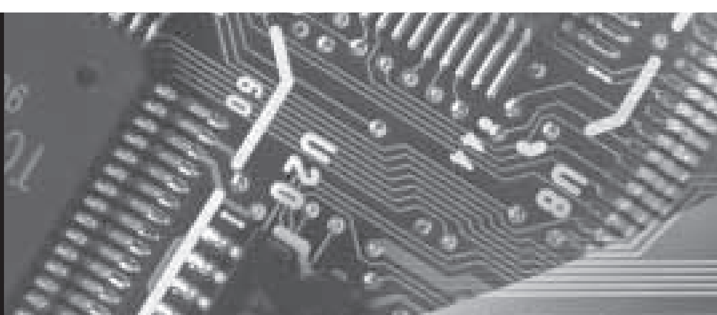
Note: Statutory reserves comprise statutory surplus reserve and statutory public welfare fund of the subsidiaries in the Peoples' Republic of China (other than Hong Kong) (the "PRC") and form part of shareholders' funds.



	Note	2004 HK$'000	2003 HK$'000
OPERATING ACTIVITIES			
(Loss)/profit from operations		**(123,468)**	2,466
Adjustments for:			
Interest income		**(9,482)**	(9,118)
Depreciation of property, plant and equipment		**3,697**	2,785
Amortisation of intangible assets		**2,644**	1,643
Loss on disposal of property, plant and equipment		**5**	3
Gain on disposal of investments in securities		**(604)**	(55)
Net unrealised holding gain on investments in securities		**(374)**	(1,339)
Impairment loss on investments in securities		**–**	2,547
Allowance for/(reversal of allowance for) inventories		**6,502**	(3,910)
Allowance for bad and doubtful debts		**16,599**	3,405
Impairment loss recognised on other assets		**61,310**	–
Allowance for loans receivables		**45,029**	–
Operating cash flows before movements in working capital		**1,858**	(1,573)
Decrease/(increase) in inventories		**36,157**	(37,224)
Decrease/(increase) in trade and other receivables		**12,543**	(9,067)
Increase in trade and other payables		**25,968**	65,337
Cash generated from operations		**76,526**	17,473
Income taxes paid		**(699)**	(876)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**75,827**	16,597
INVESTING ACTIVITIES			
Purchase of investments in securities		**(381,601)**	(153,072)
(Increase)/decrease in pledged bank deposits		**(84,772)**	14,335
Purchase of property, plant and equipment		**(80,178)**	(39,930)
Purchase of intangible assets		**(1,156)**	(4,081)
Increase in loans and interest receivables		**(14,280)**	(11,554)
Advance to a related party		**(4,706)**	(56,604)
Investment in an associate		**–**	(3,304)
Proceeds from disposal of investments in securities		**190,381**	217,255
Interest received		**9,482**	8,324
Proceeds from disposal of property, plant and equipment		**2,693**	6
Refund from securities houses		**–**	47,046
Proceeds from disposal of a subsidiary (net of cash and cash equivalents disposed of)	28	**–**	20
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		**(364,137)**	18,441



	2004 HK$'000	2003 HK$'000
FINANCING ACTIVITIES		
New bank and other loans raised	**279,184**	111,993
Contribution from minority shareholders of subsidiaries	**–**	1,617
Repayment of bank and other loans	**(144,105)**	(48,058)
Dividend paid	**(10,000)**	–
Interest paid	**(8,460)**	(740)
Repayment of obligations under finance leases	**(570)**	–
Dividend paid to minority shareholders of subsidiaries	**–**	(245)
NET CASH GENERATED FROM FINANCING ACTIVITIES	**116,049**	64,567
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(172,261)**	99,605
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**300,498**	200,852
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(388)**	41
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, representing bank balances and cash	**127,849**	300,498



1. GENERAL

The Company is incorporated as an exempted company with limited liability in Bermuda and its shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 36.

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards ("HKFRSs") (hereinafter collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1st January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st December 2004.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

3. SIGNIFICANT ACCOUNTING POLICIES

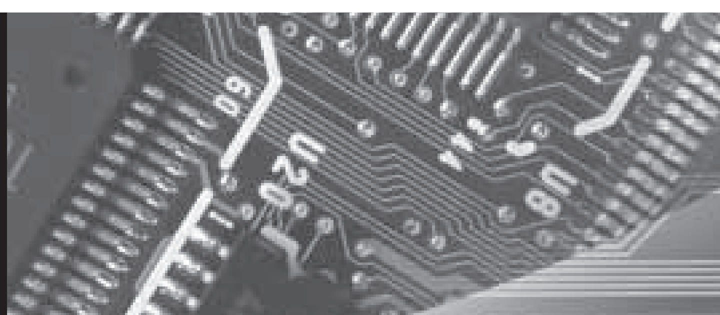
The financial statements have been prepared under the historical cost convention as modified for the valuation of investments in securities and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.



3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Sales of goods, net of value added tax where applicable, are recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and accumulated impairment losses.

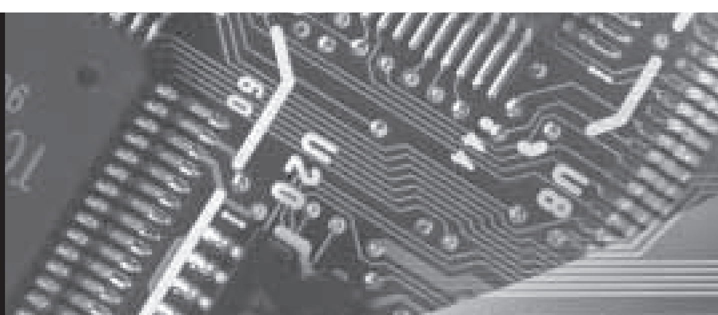
Construction in progress are stated at cost less any identified impairment loss. Cost comprises land costs and the related construction and borrowing costs, as appropriate. The cost of construction in progress will not be amortised until they are put into use and are transferred to a specific category of property, plant and equipment when the construction is completed.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Buildings	3% or over the term of the land use rights, if shorter
Leasehold improvements	33% or over the term of the lease, if shorter
Office equipment, furniture and fixtures	20% – 33%
Plant and machinery	10%
Motor vehicles	10%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as assets or, where shorter, the term of the relevant lease.



3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Assets held under leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight-line basis over the relevant lease term.

Intangible assets

Patents, trademarks and film and musical recording rights are measured initially at cost less any identified impairment loss and amortised on a straight-line basis over their estimated useful lives.

Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

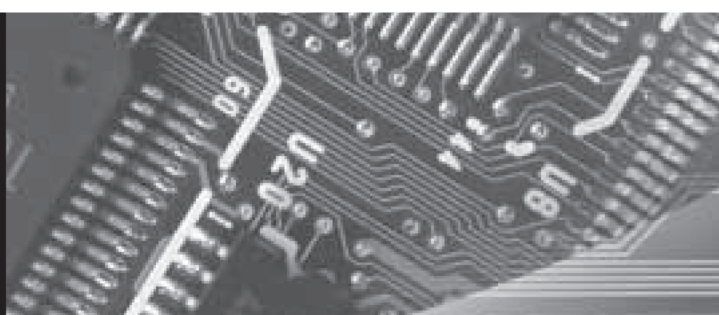
Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates, less any identified impairment loss.



3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Research and development costs

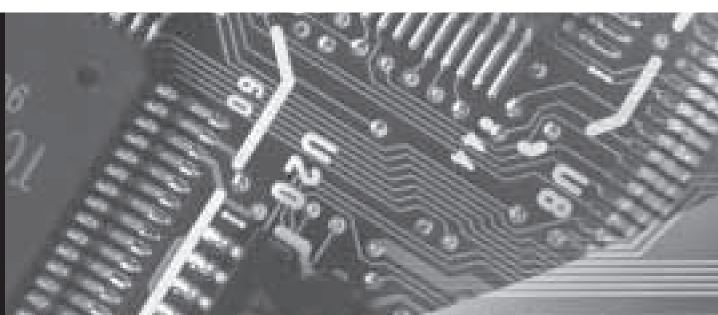
Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.



3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

On consolidation, the assets and liabilities of the Group's operations outside Hong Kong are translated at the exchange rates prevailing on the balance sheet date. Income and expenses items are translated at the average exchange rate for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserves. Such translation differences are recognised as income or as expenses in the year in which the operation is disposed of.

Retirement benefit scheme

Payments to the Mandatory Provident Fund Scheme and pension schemes in jurisdictions other than Hong Kong are charged as an expense as they fall due.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

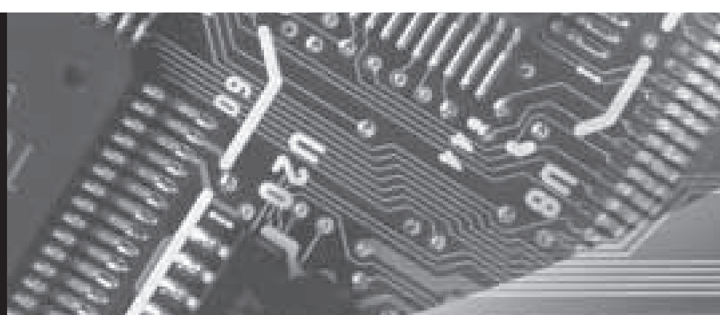
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.



3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalized as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

4. SEGMENT INFORMATION

Business segments

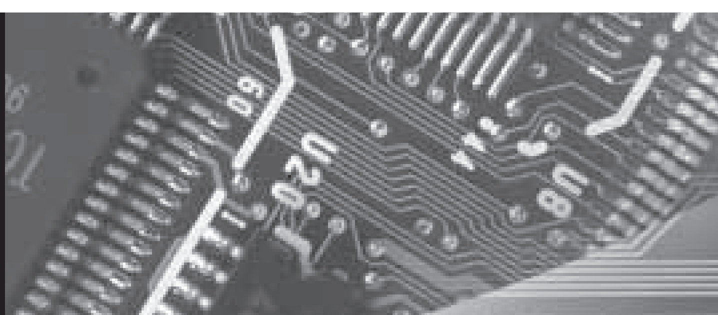
For management purposes, the Group is currently organised into two major operating divisions – information home appliances and electronic components. These divisions are the basis on which the Group reports its primary segment information.

The Group is organised into two main business segments:

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

- Electronic components – sales and distribution of electronic components.

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



4. SEGMENT INFORMATION *(Continued)*

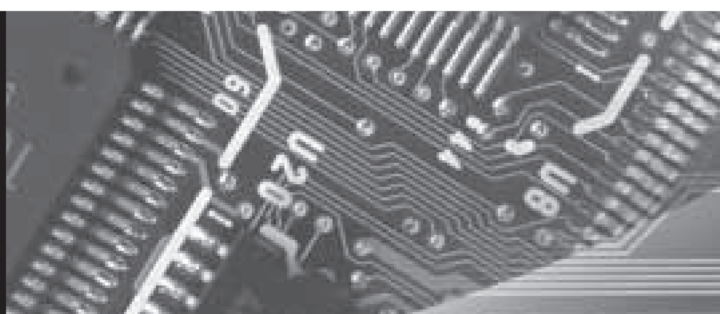
Business segments *(Continued)*

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 2004

	Information home appliances HK$'000	Electronic components HK$'000	Other operations HK$'000	Elimination HK$'000	Consolidated HK$'000
TURNOVER					
External sales	**183,601**	**468,293**	**24,674**	**–**	**676,568**
Inter-segment sales*	**126,280**	**134,576**	**7,714**	**(268,570)**	**–**
Total	**309,881**	**602,869**	**32,388**	**(268,570)**	**676,568**
RESULTS					
Segment results	**(6,247)**	**4,343**	**(8,385)**	**–**	**(10,289)**
Unallocated income					**15,182**
Allowance for bad and doubtful debts					**(14,120)**
Impairment loss recognised on other assets					**(61,310)**
Allowance for loans receivables					**(45,029)**
Other unallocated expenses					**(7,902)**
Loss from operations					**(123,468)**
Finance costs					**(7,606)**
Share of results of associates					**(2,256)**
Loss before taxation					**(133,330)**
Taxation					**(2,030)**
Loss before minority interests					**(135,360)**
Minority interests					**(4,435)**
Net loss for the year					**(139,795)**

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



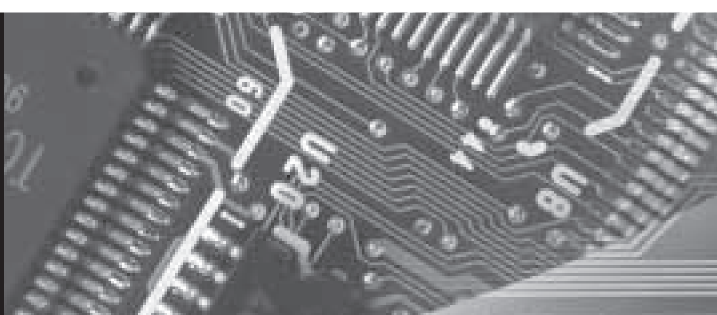
4. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

As at 31st December 2004

	Information home appliances HK$'000	Electronic components HK$'000	Other operations HK$'000	Consolidated HK$'000
ASSETS				
Segment assets	**117,746**	**128,641**	**13,059**	**259,446**
Interests in associates				**753**
Unallocated assets				**503,030**
Total assets				**763,229**
LIABILITIES				
Segment liabilities	**45,184**	**99,127**	**6,086**	**150,397**
Unallocated liabilities				**276,960**
Total liabilities				**427,357**
OTHER INFORMATION				
Capital additions	**73,972**	**7,962**	**4,623**	**86,557**
Depreciation and amortisation	**4,646**	**371**	**1,324**	**6,341**
Allowance for/(reversal of allowance for) inventories	**3,316**	**4,199**	**(1,013)**	**6,502**
Allowance for bad and doubtful debts *(Note)*	**300**	**2,179**	**–**	**2,479**

Note: During the year, allowance for bad and doubtful debts, impairment loss recognised on other assets and allowance for loans receivables amounting to approximately HK$14,120,000, HK$61,310,000 and HK$45,029,000 respectively were included in the unallocated expenses.



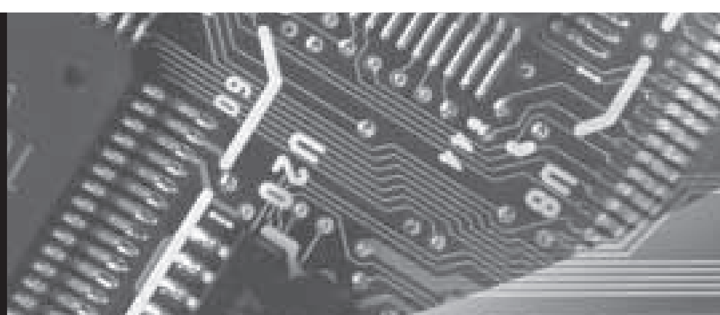
4. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

For the year ended 31st December 2003

	Information home appliances HK$'000	Electronic components HK$'000	Other operations HK$'000	Elimination HK$'000	Consolidated HK$'000
TURNOVER					
External sales	248,319	292,395	25,012	–	565,726
Inter-segment sales*	220,380	108,550	1,712	(330,642)	–
Total	468,699	400,945	26,724	(330,642)	565,726
RESULTS					
Segment results	2,212	(4,438)	(3,495)	–	(5,721)
Unallocated income					19,610
Unallocated expenses					(11,423)
Profit from operations					2,466
Finance costs					(611)
Share of results of associates					(295)
Gain on disposal of a subsidiary					761
Profit before taxation					2,321
Taxation					(699)
Profit before minority interests					1,622
Minority interests					(1,399)
Net profit for the year					223

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



4. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

As at 31st December 2003

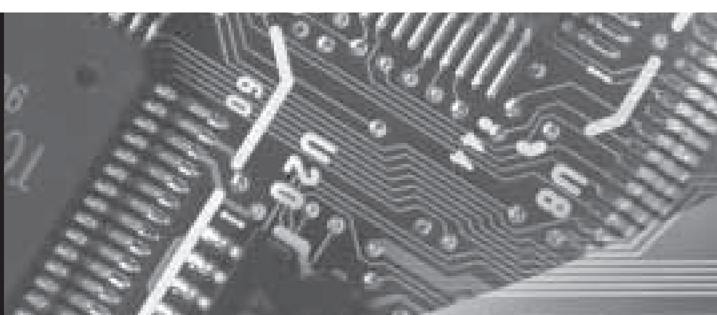
	Information home appliances HK$'000	Electronic components HK$'000	Other operations HK$'000	Consolidated HK$'000
ASSETS				
Segment assets	300,063	80,513	5,604	386,180
Interests in associates				3,009
Unallocated assets				353,539
Total assets				742,728
LIABILITIES				
Segment liabilities	87,549	63,107	12,324	162,980
Unallocated liabilities				98,169
Total liabilities				261,149
OTHER INFORMATION				
Capital additions	43,307	171	662	44,140
Depreciation and amortisation	2,944	432	1,052	4,428
Impairment loss on investments in securities	–	–	2,547	2,547
Allowance for bad and doubtful debts	3,405	–	–	3,405

Geographical segments

The Group's information home appliances division is located in the PRC and its products are also distributed in the PRC and Hong Kong. The electronic components division is mainly located in Hong Kong and its goods are distributed in the PRC, Hong Kong and other countries.

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

	Turnover	
	2004 HK$'000	2003 HK$'000
The PRC	**440,862**	327,197
Hong Kong	**215,702**	218,165
Other countries	**20,004**	20,364
	676,568	565,726



4. SEGMENT INFORMATION *(Continued)*

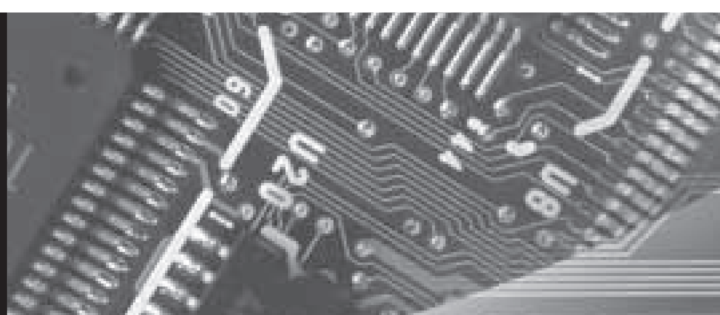
Geographical segments *(Continued)*

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 and intangible assets	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
The PRC	**559,128**	471,884	**76,556**	43,970
Hong Kong	**200,201**	266,522	**10,001**	170
Other countries	**3,900**	4,322	**–**	–
	763,229	742,728	**86,557**	44,140

5. OTHER OPERATING INCOME

	2004	2003
	HK$'000	HK$'000
Interest income	**9,462**	8,383
Interest income from investments in securities	**20**	735
Gains on disposal of investments in securities	**604**	55
Net unrealised holding gains on investments in securities	**374**	1,339
Sundry income	**4,722**	9,985
	15,182	20,497



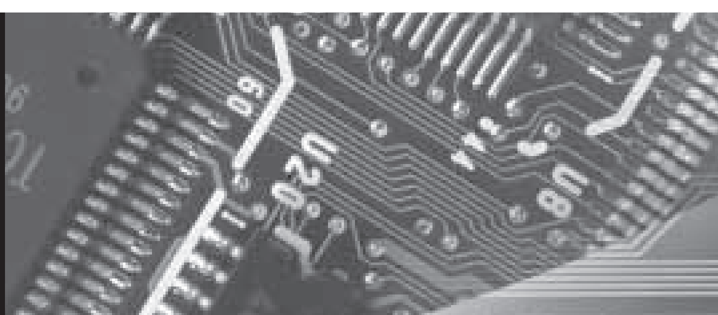
6. (LOSS)/PROFIT FROM OPERATIONS

	2004	2003
	HK$'000	HK$'000
(Loss)/profit from operations has been arrived at after charging:		
Auditors' remuneration	**1,456**	842
Depreciation of property, plant and equipment	**3,697**	2,785
Amortisation of intangible assets (included in general and administrative expenses)	**2,644**	1,643
Directors' emoluments *(note 7)*	**1,100**	1,057
Other staff costs	**14,647**	14,637
Retirement benefits scheme contributions (other than those included in the Directors' emoluments)	**1,339**	460
Total staff costs	**17,086**	16,154
Allowance for bad and doubtful debts	**16,599**	3,405
Research and development costs	**8,412**	5,700
Loss on disposal of property, plant and equipment	**5**	3
Impairment loss on investments in securities	**–**	2,547

7. DIRECTORS' EMOLUMENTS

The aggregate amounts of emoluments paid and payable to Directors of the Company during the year are as follows:

	2004	2003
	HK$'000	HK$'000
Fees:		
– Independent non-executive Directors	**108**	86
Other emoluments:		
– Executive Directors		
Basic salaries, other allowances and benefits in kind	**978**	970
Retirement benefits schemes contributions	**14**	1
	1,100	1,057



7. DIRECTORS' EMOLUMENTS *(Continued)*

For the year ended 31st December 2004, four executive Directors received remuneration of approximately HK$420,000, HK$303,000, HK$138,000 and HK$131,000 respectively and three independent non-executive Directors received remuneration of approximately HK$47,000, HK$47,000 and HK$14,000 respectively.

For the year ended 31st December 2003, four executive Directors received remuneration of approximately HK$407,000, HK$300,000, HK$133,000 and HK$131,000 respectively and two independent non-executive Directors received remuneration of approximately HK$43,000 each.

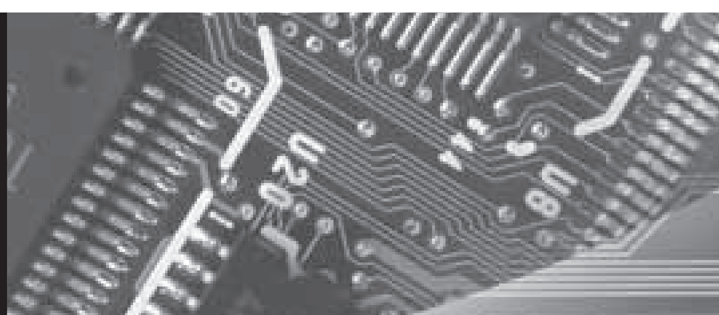
During the year, no emoluments were paid by the Group to any Director as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any emoluments during the year.

8. EMPLOYEES' EMOLUMENTS

During the year, one Director (2003: one Director) is included in the five highest paid individuals of the Group. Details of Directors' emoluments are set out in note 7 above. The aggregate emoluments of the four (2003: four) highest paid individuals, who are employees of the Group, are as follows:

	2004	2003
	HK$'000	HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**2,560**	2,095
Retirement benefits schemes contributions	**36**	12
	2,596	2,107

The emoluments of each of the five highest paid individuals for both years were less than HK$1,000,000.



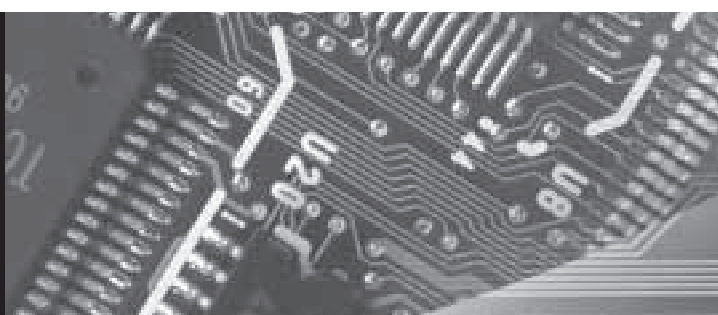
9. FINANCE COSTS

	2004 HK$'000	2003 HK$'000
Interest on loans wholly repayable within five years:		
– Bank loans	**8,177**	707
– Other loans	**188**	33
– Obligations under finance leases	**48**	–
	8,413	740
Interest on bank loans repayable over five years	**47**	–
Total borrowing costs	**8,460**	740
Less: amounts capitalised	**(854)**	(129)
	7,606	611

10. TAXATION

The charge represents Hong Kong Profits Tax calculated at 17.5% of the estimated assessable profit for the year.

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 PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next consecutive three years whilst a PRC subsidiary 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. No provision for PRC income tax has been made in the financial statements as certain of the PRC subsidiaries were exempted from PRC income tax and certain of the PRC subsidiaries have no assessable profit during the year.



10. TAXATION *(Continued)*

The charge for the year can be reconciled to the (loss)/profit before taxation per the income statement as follows:

	2004 HK$'000	2003 HK$'000
(Loss)/profit before taxation	**(133,330)**	2,321
Tax at the domestic income tax rate of 17.5%	**(23,333)**	406
Tax effect of expenses that are not deductible in determining taxable profit	**20,226**	544
Tax effect of income that are not taxable in determining taxable profit	**(1,620)**	(462)
Overprovision in respect of prior year	**–**	(13)
Tax effect of utilisation of tax loss not previously recognised	**(391)**	(1,516)
Tax effect of additional tax losses not recognised	**9,524**	9,217
Effect of tax exemptions granted to PRC subsidiaries	**(2,448)**	(6,467)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**72**	(1,010)
Tax expense for the year	**2,030**	699

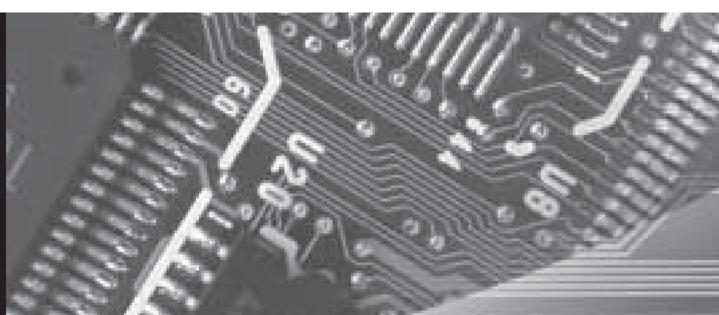
At 31st December 2004, the Group has unused tax losses of approximately HK$116,522,000 (2003: approximately HK$64,333,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams.

The Company had no significant unprovided deferred taxation for the year or at the balance sheet date.

11. DIVIDEND

	2004 HK$'000	2003 HK$'000
2003 final dividend paid of HK2.5 cents per share	**10,000**	–

No dividend was proposed during 2004, nor has any dividend been proposed since the balance sheet date.



12. (LOSS)/EARNING PER SHARE

The calculation of the basic (loss)/earning per share is based on the net loss for the year of approximately HK$139,795,000 (2003: net profit of approximately HK$223,000) and on 400,000,000 (2003: 400,000,000) ordinary shares in issue during the year.

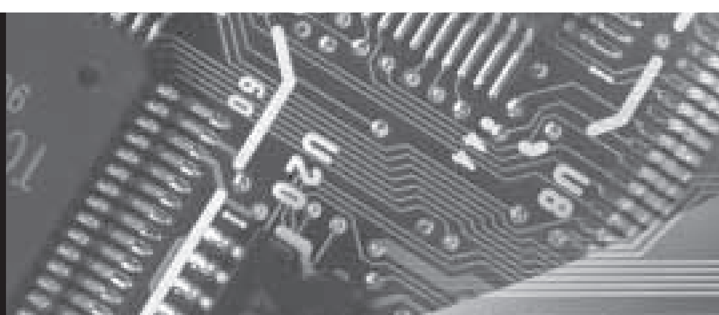
No diluted loss per share has been presented for the year ended 31st December 2004 as the assumed exercise of the Company's share options would result in a decrease in loss per share.

No diluted earning per share has been presented for the year ended 31st December 2003 because the exercise price of the Company's share options was higher than the average market price for shares for 2003.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	**Leasehold improvements**	**Office equipment, furniture and fixtures**	**Plant and machinery**	**Motor vehicles**	**Construction in progress**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST:							
At 1st January 2004	9,126	939	4,576	14,007	3,261	26,489	58,398
Exchange adjustments	(10)	–	(1)	(14)	(1)	(27)	(53)
Additions	8,600	471	2,147	8,846	193	65,144	85,401
Transfer	91,606	–	–	–	–	(91,606)	–
Disposals	–	–	(118)	(3,404)	(118)	–	(3,640)
At 31st December 2004	**109,322**	**1,410**	**6,604**	**19,435**	**3,335**	**–**	**140,106**
ACCUMULATED DEPRECIATION:							
At 1st January 2004	1,131	780	3,068	1,285	1,071	–	7,335
Charge for the year	613	140	908	1,697	339	–	3,697
Eliminated on disposals	–	–	(43)	(830)	(69)	–	(942)
At 31st December 2004	**1,744**	**920**	**3,933**	**2,152**	**1,341**	**–**	**10,090**
NET BOOK VALUES:							
At 31st December 2004	**107,578**	**490**	**2,671**	**17,283**	**1,994**	**–**	**130,016**
At 31st December 2003	7,995	159	1,508	12,722	2,190	26,489	51,063



13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The net book values of buildings shown above comprises:

	2004 HK$'000	2003 HK$'000
Buildings situated in Hong Kong and held under medium-term leases	**8,600**	–
Buildings situated in the PRC and held under medium-term leases	**98,978**	7,995
	107,578	7,995
Construction in progress situated in the PRC and held under medium-term leases	**–**	26,489
	107,578	34,484

The net book value of the Group's plant and machinery includes an amount of approximately HK$4,483,000 (2003: Nil) in respect of assets held under finance leases.

At 31st December 2003, amount of interest capitalised in construction in progress was approximately HK$129,000.

14. INTANGIBLE ASSETS

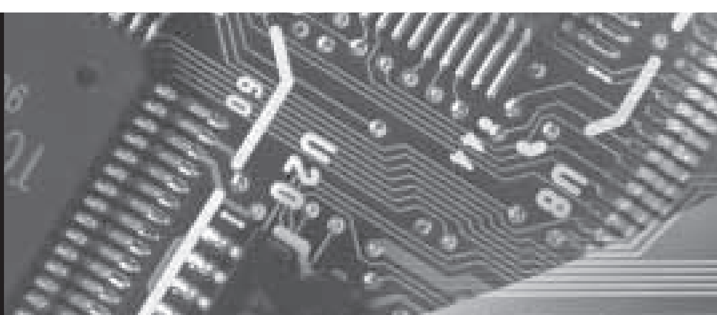
Group

	Patents and trademarks HK$'000	Film and musical recording rights HK$'000	Others HK$'000	Total HK$'000
COST:				
At 1st January 2004	5,637	4,081	86	9,804
Exchange adjustments	(5)	(4)	–	(9)
Additions	780	376	–	1,156
At 31st December 2004	**6,412**	**4,453**	**86**	**10,951**
ACCUMULATED AMORTISATION:				
At 1st January 2004	5,401	1,530	51	6,982
Exchange adjustments	(5)	(2)	–	(7)
Charge for the year	212	2,415	17	2,644
At 31st December 2004	**5,608**	**3,943**	**68**	**9,619**
NET BOOK VALUES:				
At 31st December 2004	**804**	**510**	**18**	**1,332**
At 31st December 2003	236	2,551	35	2,822

Patents and trademarks of the Group represents the cost paid for obtaining the right to use the licence in manufacturing of information home appliances.

Film and musical recording rights of the Group represents the cost paid for obtaining the right to use the content of films and musical in the information home appliances.

All of the Group's intangible assets were acquired from third parties and are amortised over two to five years.



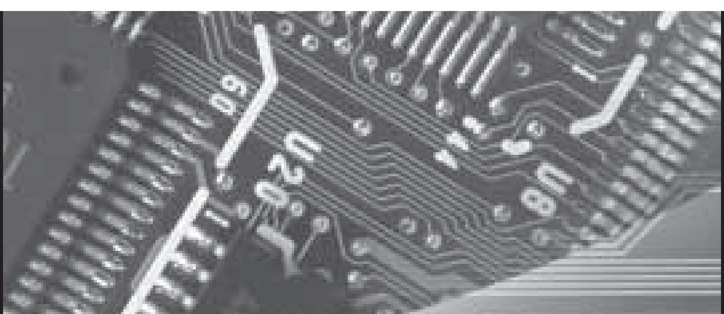
15. INTERESTS IN SUBSIDIARIES

	Company	
	2004	2003
	HK$'000	HK$'000
Unlisted shares, at cost	**176,000**	176,000
Loans to subsidiaries	**199,094**	210,033
Amounts due from subsidiaries	**67,026**	37,621
	442,120	423,654
Less: Impairment loss recognised	**(157,400)**	(57,400)
	284,720	366,254

The loans to and amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Directors, the above amounts are unlikely to be repaid within one year from the balance sheet date and are therefore shown as non-current.

The Directors consider that in the light of the recurring operating losses of certain subsidiaries and unfavourable market conditions, the recoverable amount of these subsidiaries has been reduced to the estimated net realisable value of their identifiable net assets. Accordingly, an aggregate impairment loss of approximately HK$157,400,000 (2003: HK$57,400,000) in respect of the Company's interests in subsidiaries, loans to and amounts due from subsidiaries was recognised.

Details of principal subsidiaries as at 31st December 2004 are set out in note 36.



16. INVESTMENTS IN SECURITIES

Group

	Investment securities		Other investments		Total	
	2004	2003	**2004**	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
			(Note)			
Equity securities:						
– Unlisted	**6,100**	4,317	**204,540**	–	**210,640**	4,317
– Listed in Hong Kong	**–**	–	**7,291**	13,931	**7,291**	13,931
– Listed in Overseas	**–**	422	**–**	–	**–**	422
Total	**6,100**	4,739	**211,831**	13,931	**217,931**	18,670
Classified under:						
Current	**–**	–	**211,565**	13,931	**211,565**	13,931
Non-current	**6,100**	4,739	**266**	–	**6,366**	4,739
	6,100	4,739	**211,831**	13,931	**217,931**	18,670
Market value of listed securities	**–**	422	**7,291**	13,931	**7,291**	14,353

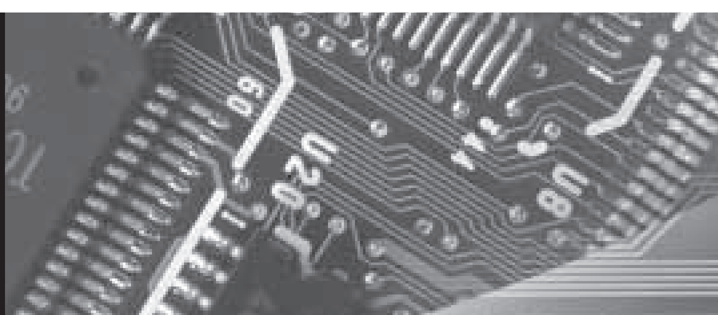
Note:

Pursuant to an agreement dated 10th August 2004 (the "Agreement"), the Group through its wholly owned subsidiary, Beijing Golden Yuxing Electronics Co., Ltd. ("Golden Yuxing") acquired a 10.435% interest in Shenzhen Jiangnan Industrial Development Co., Ltd. ("JI"), a company which holds certain interests in the domestic institutional shares of Ping An Insurance (Group) Company of Chinese Limited ("Ping An"), at a consideration of RMB217,000,000 (equivalent to approximately HK$204,274,000) from Shanshui Jianlibao Health Industry Investment Co., Ltd. ("SJHII"), a company in which Mr. Zhu Wei Sha, a director of the Company, has an effective 8.1% interest. The H shares of Ping An are listed on the Stock Exchange. The said consideration was determined with reference to the JI's interest in 51,000,000 domestic institutional shares of Ping An deemed to be acquired by Golden Yuxing from SJHII (the "51 Million Ping An Shares").

The purpose of the transaction was to enable the Group to acquire certain economic benefits in respect of the 51 Million Ping An Shares held by JI through the entering of a share management agreement between the Group and other shareholders of JI; specifically to receive dividends attributable to the 51 Million Ping An Shares and to enable the Group to use such shares as security to support its own borrowings. However, although legal advice on the enforceability of the share management agreement is still being sought by the Group, deficiencies have been found in the said arrangement to give effect to the requirement of Golden Yuxing to acquire such economic benefits relating to the investment in the 51 Million Ping An Shares held by JI.

The above transaction constituted a very substantial acquisition under the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "GEM Listing Rules") of the Stock Exchange of Hong Kong Limited which required prior shareholders' approval to be obtained before the acquisition was completed. As such transaction was completed without the approval of the Company's shareholders, the Company has breached the GEM Listing Rules.

Given the above difficulties, the Directors are considering various alternatives courses of action to rectify the position. However, up to the date of this report, no formal proposal or action has been established or carried out by the Group.



17. INTERESTS IN ASSOCIATES

	Group 2004 HK$'000	Group 2003 HK$'000
Share of net assets	**753**	3,009

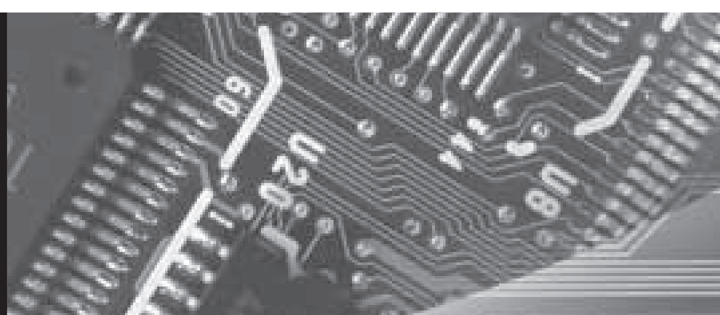
Details of the Group's associate at 31st December 2004 are as follows:

Names of associate	Form of business structure	Place of incorporation	Proportion of equity interests held directly by the Group	Principal activities
NetAv Electronic Technology Ltd.	Incorporated	Cayman Islands	21%	Investment holding

18. INVENTORIES

	Group 2004 HK$'000	Group 2003 HK$'000
Merchandise	**36,702**	35,192
Raw materials	**17,411**	34,976
Work-in-progress	**3,663**	14,703
Finished goods	**19,467**	35,031
	77,243	119,902

Included above are merchandise of approximately HK$1,849,000 (2003: Nil), raw materials of approximately HK$1,675,000 (2003: HK$3,736,000) and finished goods of approximately HK$10,252,000 (2003: HK$18,449,000) carried at net realisable values.



19. OTHER ASSETS

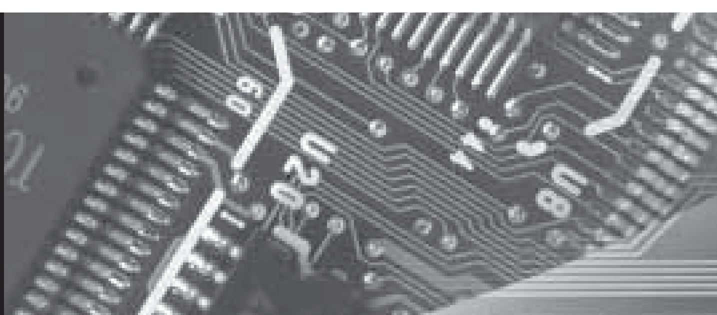
During the year ended 31st December 2003, the Group entered into an agreement pursuant to which an advance of RMB60,000,000 (approximately HK$56,604,000) was made to a non wholly owned subsidiary of SJHII by on-lending a same amount of bank loan borrowed by a wholly owned subsidiary of the Group, Foshan Zhixing Technology Co., Ltd. ("Zhixing"), from Xing Yip Industrial Bank Co., Ltd. ("Xing Yip Bank"). The bank loan was secured by 24,000,000 domestic institutional shares of Ping An held by JI pursuant to a request from SJHII which has an equity interest in JI. The advance bore interest at 5.21% per annum and was repayable on or before 27th November 2004. The advance was intended to be used by SJHII for investing in the domestic institutional shares of Ping An. Under the above-mentioned agreement, the Group was given the option (the "Option") to obtain approximately 30% interests in the above Ping An domestic institutional shares provided that the bank loan of RMB60,000,000 from Xing Yip Bank and the advance of RMB60,00,000 to the non wholly owned subsidiary of SJHII were settled and 24,000,000 domestic institutional shares of Ping An pledged to Xing Yip Bank was released. The Group was also given the right to request SJHII to buy back the Option at an agreed consideration.

During the year ended 31st December, 2004, a further RMB5,000,000 (approximately HK$4,706,000) was advanced to another non wholly owned subsidiary of SJHII.

The advance of RMB60,000,000 (approximately HK$56,604,000) is now overdue for repayment and in view of the principal operating subsidiary of SJHII is being placed in receivership and control being taken over by the PRC government authorities, an impairment loss amounting to HK$61,310,000, representing the total amount of the advances made to the non wholly owned subsidiaries of SJHII, has been recognised as at 31st December 2004

20. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables *(Note)*	**72,002**	94,069	**–**	–
Bills receivables	**2,149**	2,614	**–**	–
Prepayments, deposits and other receivables	**26,278**	32,888	**537**	397
	100,429	129,571	**537**	397



20. TRADE AND OTHER RECEIVABLES *(Continued)*

Note:

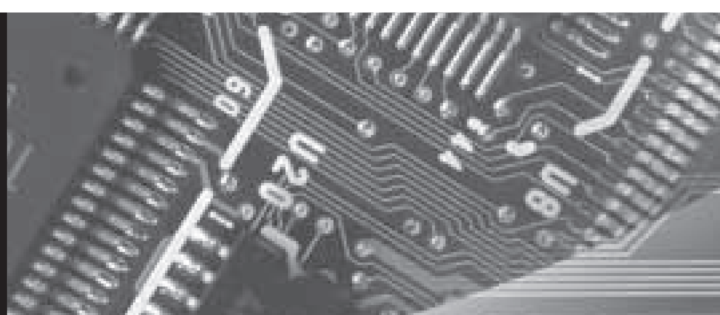
The Group allows its trade customers with an average credit period of 60 to 90 days. The aged analysis of trade receivables at the balance sheet date is as follows:

	Group	
	2004	2003
	HK$'000	HK$'000
0–30 days	**50,987**	72,380
31–60 days	**11,088**	15,550
61–90 days	**4,485**	3,312
Over 90 days	**9,423**	4,329
	75,983	95,571
Less: Allowance for bad and doubtful debts	**(3,981)**	(1,502)
	72,002	94,069

21. LOANS AND INTEREST RECEIVABLES

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Loans and other receivables	**45,029**	37,812	**38,346**	31,129
Allowance made for the year	**(45,029)**	–	**(38,346)**	–
	–	37,812	**–**	31,129

The loans have been advanced to third parties, which are secured by shares in a company held by a third parties (2003: secured by properties and shares in a company held by the third party), bear interest at 12% (2003: ranging from 8.5% to 12%) per annum. The maturity date of the loans have been extended from 30th December 2004 to 31st December 2005.



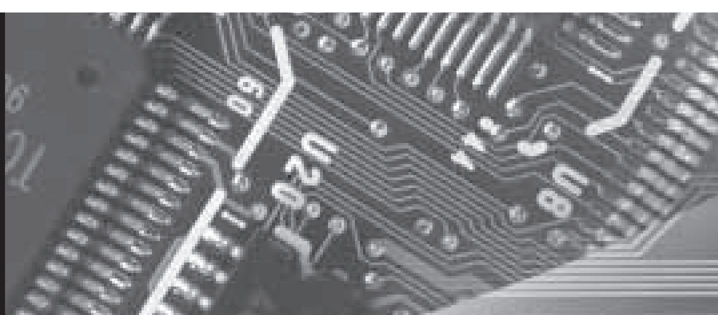
22. TRADE AND OTHER PAYABLES

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables *(Note)*	**119,743**	127,378	**–**	–
Other payables	**66,626**	31,438	**448**	517
Accruals	**7,470**	9,055	**818**	575
	193,839	167,871	**1,266**	1,092

Note:

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

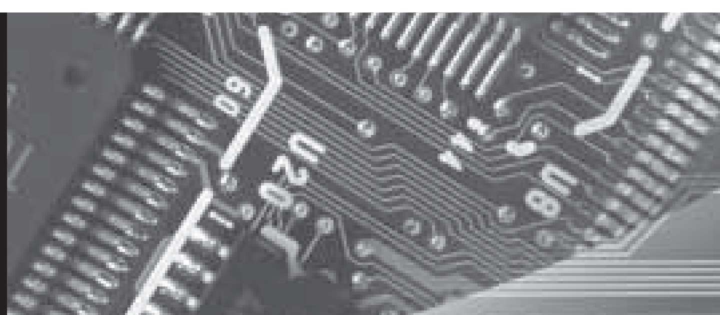
	Group	
	2004	2003
	HK$'000	HK$'000
0–30 days	**55,821**	110,935
31–60 days	**48,606**	13,553
61–90 days	**6,379**	1,849
Over 90 days	**8,937**	1,041
	119,743	127,378



23. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases:				
Within one year	**1,536**	–	**1,426**	–
In the second to fifth years inclusive	**2,444**	–	**2,373**	–
	3,980	–	**3,799**	–
Less: Future charges	**(181)**	–		
Present value of lease obligations	**3,799**	–		
Less: amount due within one year included under current liabilities			**(1,426)**	–
Amount due after one year			**2,373**	–

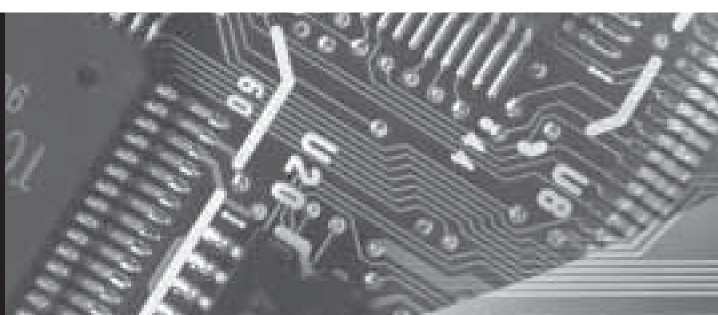
The average lease term is three years. For the year ended 31st December 2004, the effective borrowing rate was 4%. Interest rates were fixed at the contract date. All leases are on a fixed repayment basis and no arrangement have been entered into for contingent rental payments.



24. BANK AND OTHER LOANS

	Group 2004 HK$'000	Group 2003 HK$'000
Bank and other loans comprise:		
Bank loans	**226,246**	89,376
Other loan	**1,883**	3,770
	228,129	93,146
Analysed as:		
Secured	**225,533**	93,146
Unsecured	**2,596**	–
	228,129	93,146

	Group 2004 HK$'000	Group 2003 HK$'000
The maturity profile of the above bank and other loans is as follows:		
On demand or within one year	**222,463**	93,146
Between one to two years	**244**	–
Between two to five years	**769**	–
Over five years	**4,653**	–
	228,129	93,146
Less: Amount due within one year included under current liabilities	**(222,463)**	(93,146)
Amount due after one year	**5,666**	–



25. SHARE CAPITAL

	Number of ordinary share of HK$0.10 each 2004 & 2003	Nominal value 2004 & 2003 HK$'000
Authorised:		
At beginning and end of the year	**2,000,000,000**	**200,000**
Issued and fully paid:		
At beginning and end of the year	**400,000,000**	**40,000**

26. SHARE OPTION SCHEME

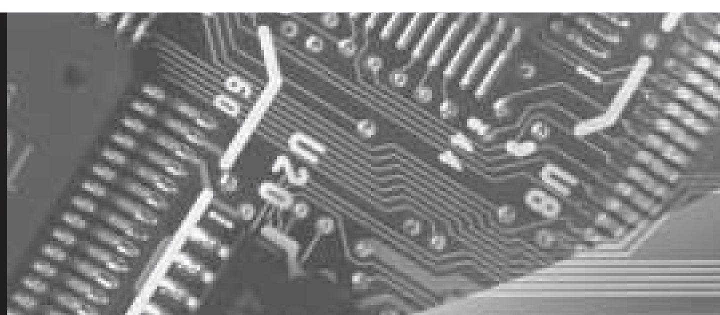
Previous Scheme

Under the share option scheme approved by the shareholders of the Company on 18th January 2000 (the "Previous Scheme"), the Directors may, at their absolute discretion, within a period of ten years from 31st January 2000, invite continuous contract employees of the Group, including Executive Directors, to take up share options to subscribe for shares of the Company subject to the terms and conditions stipulated therein.

The principal purposes of the Previous Scheme are to recognise the significant contributions of the employees and Executive Directors to the growth of the Group by rewarding them with opportunities to obtain the ownership interest in the Company and to further motivate and give incentives to these persons to continue to contribute to the Group's long-term success and prosperity.

The total number of shares available for issue under the Previous Scheme was 40,000,000, representing 10% of the issued share capital of the Company. The maximum entitlement of any one employee cannot exceed 25% of the maximum aggregate number of shares issued and which may fall to be issued under the Previous Scheme. At 31st December 2004, the total number of shares in respect of which share options had been granted and remained outstanding under the Previous Scheme was 17,200,000 representing 4.3% of the shares of the Company in issue at that date.

An offer of the share options shall be deemed to have been accepted by way of consideration of HK$1.00 payable by the employee to the Company within 21 days from the date of offer of the share options. The exercise price of the share options is determined by the Directors, and will not be less than the higher of the closing price of the Company's shares on the date of grant, the average closing price of the Company's shares of the five business days immediately preceding the date of grant and the nominal value of the shares of the Company.



26. SHARE OPTION SCHEME *(Continued)*

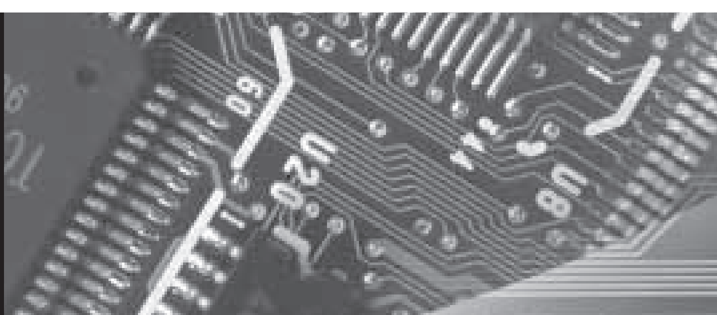
Previous Scheme *(Continued)*

The Previous Scheme, originally expiring on 31st January 2010, was early terminated on 18th May 2003. No further share options will be offered under the Previous Scheme upon its termination but its terms remain in full force and effect in respect of the outstanding share options previously granted.

Details of the movement of share options granted under the Previous Scheme during the two years ended 31st December 2004 to subscribe for the shares in the Company are as follows:

For the year ended 31st December 2004

				Number of share options				
	Date of grant	Exercisable period	Exercise price HK$	At 1st January 2004	Exercised during the year	Granted during the year	Cancelled/ lapsed during the year	At 31st December 2004
Director								
– Mr. Wang An Zhong	28th November 2000	28th November 2001 – 27th November 2005	0.95	1,000,000	–	–	–	**1,000,000**
Continuous Contract Employees	27th June 2000	27th June 2001 – 26th June 2005	4.80	5,000,000	–	–	–	**5,000,000**
	28th November 2000	28th November 2001 – 27th November 2005	0.95	5,420,000	–	–	–	**5,420,000**
	3rd December 2000	3rd December 2001 – 2nd December 2005	0.95	550,000	–	–	–	**550,000**
	4th December 2000	4th December 2001 – 3rd December 2005	0.95	140,000	–	–	–	**140,000**
	9th February 2001	9th February 2002 – 8th February 2006	0.83	3,110,000	–	–	–	**3,110,000**
	11th April 2001	11th April 2002 – 10th April 2006	0.75	1,980,000	–	–	–	**1,980,000**
Total				17,200,000	–	–	–	**17,200,000**

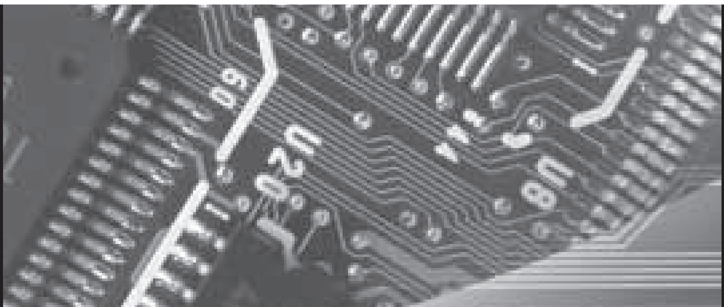


26. SHARE OPTION SCHEME *(Continued)*

Previous Scheme *(Continued)*

For the year ended 31st December 2003

	Date of grant	Exercisable period	Exercise price per share HK$	Number of share options: At 1st January 2003	Exercised during the year	Granted during the year	Cancelled/ lapsed during the year	At 31st December 2003
Director								
– Mr. Wang An Zhong	28th November 2000	28th November 2001 – 27th November 2005	0.95	1,000,000	–	–	–	1,000,000
Continuous Contract Employees	27th June 2000	27th June 2001 – 26th June 2005	4.80	5,000,000	–	–	–	5,000,000
	28th November 2000	28th November 2001 – 27th November 2005	0.95	6,385,000	–	–	(965,000)	5,420,000
	3rd December 2000	3rd December 2001 – 2nd December 2005	0.95	610,000	–	–	(60,000)	550,000
	4th December 2000	4th December 2001 – 3rd December 2005	0.95	310,000	–	–	(170,000)	140,000
	5th December 2000	5th December 2001 – 4th December 2005	0.95	40,000	–	–	(40,000)	–
	9th February 2001	9th February 2002 – 8th February 2006	0.83	4,500,000	–	–	(1,390,000)	3,110,000
	11th April 2001	11th April 2002 – 10th April 2006	0.75	3,800,000	–	–	(1,820,000)	1,980,000
	15th June 2001	15th June 2002 – 14th June 2006	1.45	600,000	–	–	(600,000)	–
Total				22,245,000	–	–	(5,045,000)	17,200,000



26. SHARE OPTION SCHEME *(Continued)*

Existing Scheme

The Company's new share option scheme (the "Existing Scheme"), which was adopted pursuant to the ordinary resolutions 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 Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants (the "Eligible Participants"), to take up share options to subscribe for the shares of the Company:

(i) any employee or officer (whether full time or part time, and including any Executive Director) of any member of the Group or any entity in which any member of the Group holds an equity interest ("Invested Entity");

(ii) any non-executive Directors (including Independent Non-executive Directors) of any member of the Group or any Invested Entity;

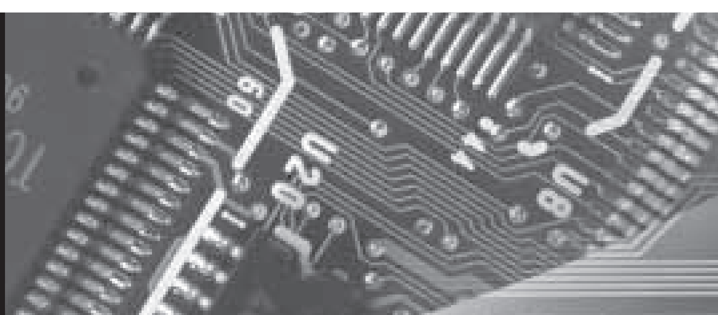
(iii) any supplier of goods or services to any member of the Group or any Invested Entity;

(iv) any customer of any member of the Group or any Invested Entity;

(v) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; and

(vi) any holder of any securities or securities convertible into any securities issued by any member of the Group or any Invested Entity.

and, for the purposes of the Existing Scheme, the share options may be granted to any company wholly owned by one or more such Eligible Participants.



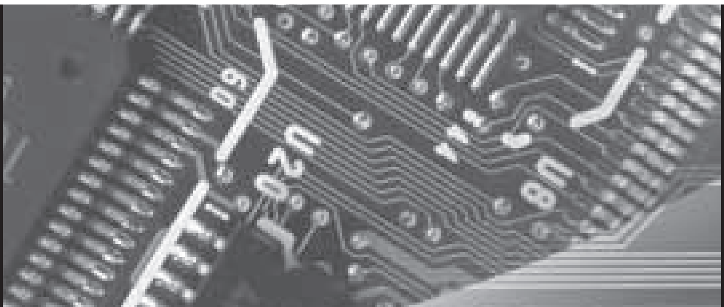
26. SHARE OPTION SCHEME *(Continued)*

Existing Scheme *(Continued)*

The total number of shares in respect of which share options may be granted under the Existing Scheme and any other schemes is not permitted to exceed 10% of the shares of the Company in issue at the date of shareholder' approval of the Existing Scheme (the "Scheme Mandate Limited") or, if such 10% limit is refreshed, at the date of shareholders' approval of the renewal of the Scheme Mandate Limit. The maximum aggregate number of shares which may be issued upon the exercise of outstanding options granted and yet to be exercised under the Existing Scheme and any other share option schemes, must not exceed 30% of the total number of shares of the Company in issue from time to time. As at the date of the Directors' report, the total number of shares available for issue under the Existing Scheme is 40,000,000, which represents 10% of the issued share capital of the Company. The number of shares in respect of which options may be granted to any eligible participant in any one year is not permitted to exceed 1% of the shares of the Company then in issue, without prior approval from the Company's shareholders. Each grant of share options to any Director, chief executive or substantial shareholder must be approved by Independent Non-executive Directors. Where any grant of share options to a substantial shareholder or an Independent Non-executive Director or any of their respective associates would result in the shares of the Company issued and to be issued upon exercise of options already granted and to be granted in excess of 0.1% of the Company's issued share capital and with a value in excess of HK$5,000,000 in the 12-month period up to the date of grant, then the grant must be approved in advance by the Company' shareholders.

An offer of the share options shall be deemed to have accepted by way of consideration of HK$1.00 payable by the Eligible Participants offer of the share options within 21 days from the date of offer of the share options. A share option may be exercised in accordance with the terms of the Existing Scheme at any time during the effective period of the Existing Scheme to be notified by the Directors which shall not be later than 10 years from the date of grant. There is no general requirement regarding any minimum period of time a grantee must hold a share option granted to him before exercising such share option. However, the Directors may determine from time to time to impose such a requirement of such a minimum period provided that the date at the end of such minimum period of time must be earlier than (a) the date on which such share option lapses; and (b) 10 years from the date of grant of that share option. The exercise price is determined by the Directors, and will not be less than the highest of the closing price of the Company's shares on the date of grant, the average closing price of the Company's share for the five business days immediately preceding the date of grant and the nominal value of the shares of the Company.

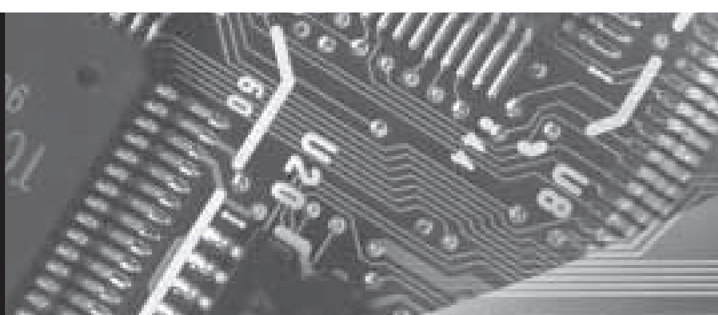
No options have been granted under the Existing Scheme since the date of adoption.



27. RESERVES

	Company			
	Share premium	**Contributed surplus**	**Retained deficits**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 1st January 2003	381,713	146,000	(38,090)	489,623
Net profit for the year	–	–	3,149	3,149
At 31st December 2003	381,713	146,000	(34,941)	492,772
2003 final dividends paid	–	–	(10,000)	(10,000)
Net loss for the year	–	–	(142,142)	(142,142)
At 31st December 2004	**381,713**	**146,000**	**(187,083)**	**340,630**

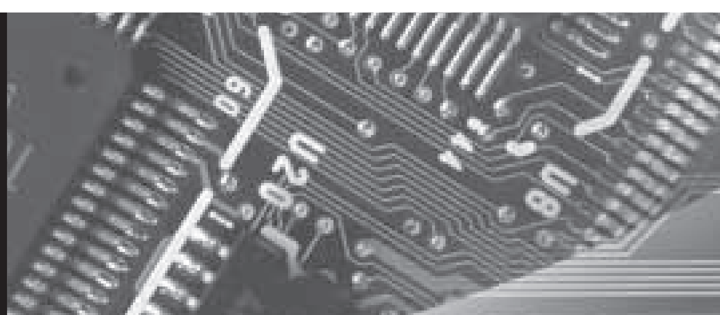
The contributed surplus represents the difference between the underlying net assets of the subsidiaries which were acquired by the Company and the nominal amount of the share capital issued by the Company for the acquisition at the time of the Group reorganisation.



28. DISPOSAL OF A SUBSIDIARY

	2004 HK$'000	2003 HK$'000
Net liabilities disposed of:		
Property, plant and equipment	–	94
Inventories	–	457
Bank balances and cash	–	75
Trade and other payables	–	(755)
	–	(129)
Exchange reserve released	–	1
	–	(128)
Gain on disposal of a subsidiary	–	761
Total consideration	–	633
Satisfied by:		
Cash consideration received	–	95
Other receivables	–	538
	–	633
Analysis of the net inflow of cash and cash equivalents in connection with the disposal of a subsidiary:		
Cash consideration received	–	95
Bank balances and cash disposed of	–	(75)
Net inflow of cash and cash equivalents	–	20

The subsidiary disposed of during the year ended 31st December 2003 did not have any significant impact on the Group's cash flows, turnover and operating results.



29. PLEDGE OF ASSETS

At 31st December 2004, the following assets were pledged to secure banking facilities and other loan granted to the Group:

(a) Bank deposits of the Group and the Company of approximately HK$107,549,000 (2003: HK$22,777,000) and HK$90,315,000 (2003: Nil), respectively;

(b) Investments in securities of the Group with the carrying value of approximately HK$5,900,000 (2003: HK$3,900,000);

(c) Property, plant and equipment of the Group with carrying value of approximately HK$10,453,000 (2003: HK$12,947,000); and

(d) Trade receivable of the Group with carrying value of approximately HK$12,150,000 (2003: Nil).

30. OPERATING LEASE COMMITMENTS

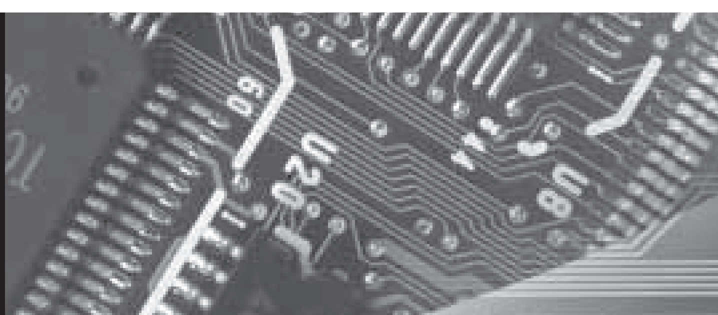
The Group made minimum lease payments of approximately HK$5,936,000 (2003: HK$6,388,000) under operating leases during the year in respect of office properties, warehouses and factories.

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	Group	
	2004	2003
	HK$'000	HK$'000
Within one year	**4,349**	5,302
In the second to fifth year inclusive	**1,896**	4,114
Over five years	**3,164**	3,071
	9,409	12,487

Leases are negotiated for terms of ranging from one to thirty years with fixed rentals.

At 31st December 2004 and 2003, the Company had no commitments under non-cancellable operating leases.



31. CAPITAL COMMITMENTS

	Group	
	2004	2003
	HK$'000	HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	**–**	20,514

At 31st December 2004 and 2003, the Company had no capital commitments.

32. CONTINGENT LIABILITIES

(i) Guarantees

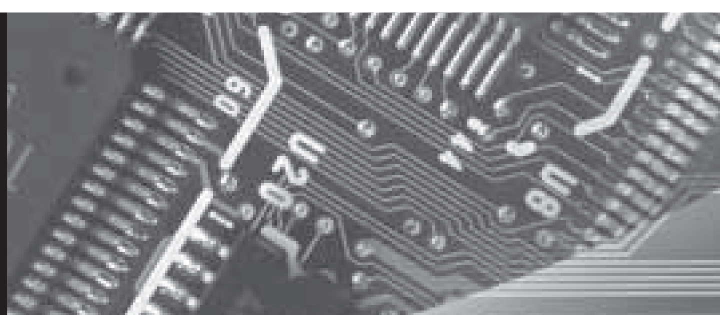
At 31st December 2004, the Company had given guarantees to a third party in respect of a loan granted to a subsidiary of approximately HK$3,765,000.

At 31st December 2004, the Company had given guarantees to banks in respect of bank facilities granted to certain subsidiaries of approximately HK$20,770,000 (2003: HK$21,874,000).

(ii) Outstanding litigation

In November 2004, Xing Yip Bank initiated legal action ("Xing Yip Action") to the Guangzhou Province Foshan City Immediate People's Court (the "Court") against Zhixing for the repayment of bank loan amounting to RMB60,000,000 borrowed by Zhixing. Under the Xing Yip Action, Xing Yip Bank alleged that Zhixing had failed to repay bank loan of RMB60,000,000 within the period granted by Xing Yip Bank. Under the judgement of the Court in 2005, Zhixing was responsible for the repayment of the bank loan and the 24,000,000 domestic institutional shares of Ping An pledged by JI (see note 19) will be subject to realisation by Xing Yip Bank in order to satisfy the repayment of the bank loan.

The Directors, after consultation with PRC legal counsels, are of the view that the Group has properly recorded the bank loan of RMB6O,000,000 and the value of the 24,000,000 domestic institutional shares of Ping An pledged by JI is sufficient to cover the outstanding bank loan of RMB6O,000,000 together with the related interest and the costs of legal proceedings and, accordingly, no further provision have been accounted for in the financial statements.



33. RETIREMENT BENEFIT SCHEME

The Group operates a Mandatory Provident Fund Scheme (the “Scheme”) for all qualifying employees in Hong Kong. The assets of the Scheme are held separately from those of the Group in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by employees.

The employees of the Group’s subsidiary in the PRC are members of the state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute certain percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to income statements of approximately HK$1,353,000 (2003: HK$461,000) represents contribution payable to these schemes by the Group in respect of the current year.

34. MAJOR NON-CASH TRANSACTION

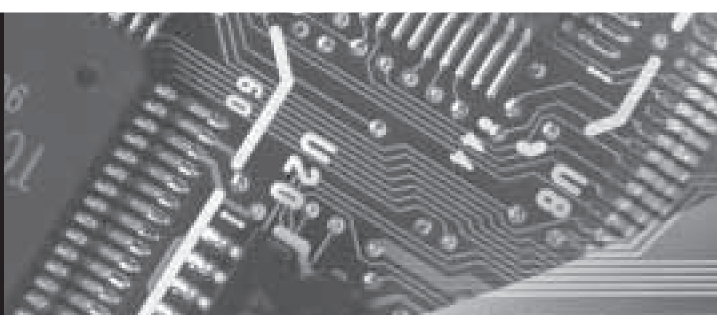
During the year, the Group entered into finance lease arrangements in respect of assets with total capital value at the inception of the leases of approximately HK$4,369,000 (2003: Nil) acquired by the Group.

During the year, the Group re-assigned a loan receivable of approximately HK$7,063,000 (2003: Nil) as partial payment for purchase of investments in securities.

35. RELATED PARTY TRANSACTIONS

During the year ended 31st December 2004, Golden Yuxing entered into agreements with SJHII, in which Mr. Zhu Wei Sha, a director of the Company, has an effective 8.1% interest, for the acquisition of a 10.435% interest in JI at a consideration of RMB217,000,000 (approximately HK$204,274,000). Details of the transaction are set out in note 16.

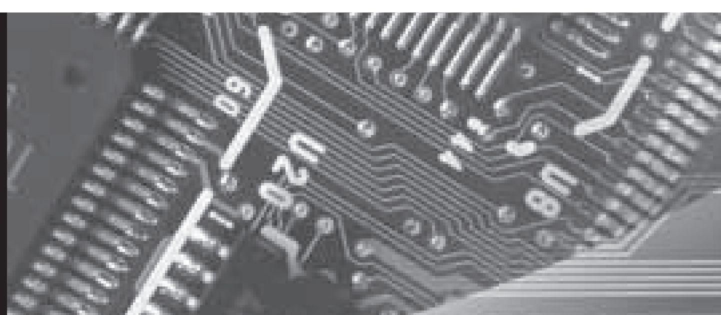
During the year ended 31st December 2003, the Group entered into an agreement, pursuant to which an advance of RMB60,000,000 (approximately HK$56,604,000) was made to a non wholly owned subsidiary of SJHII. During the year ended 31st December 2004, a further RMB5,000,000 (approximately HK$4,706,000) was advanced to another non wholly owned subsidiary of SJHII. Details of these transactions were set out in note 19.



36. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st December 2004 are as follows:

Name of subsidiary	Place of incorporation/ kind of legal entity	Principal activities/ place of operation	Particulars of issued share capital/ registered capital	Interest held
Direct subsidiaries:				
First I-Tech Limited	Republic of Mauritius ("Mauritius")/limited liability company	Investment holding/ Hong Kong ("HK")	1 ordinary share of US$1	100%
Yuxing Electronics Company Limited	British Virgin Islands ("BVI")/limited liability company	Investment holding/ the PRC and HK	2,000 ordinary shares of US$1 each	100%
Indirect subsidiaries:				
Beijing Yuxing Software Co., Ltd.	The PRC/Foreign wholly owned enterprise	Research and development and software design/ the PRC	RMB10,610,850	100%
E-Century Investment Limited	Mauritius/limited liability company	Holding of intangible assets/ the PRC	1 ordinary share of US$1	100%
Zhixing	The PRC/Foreign wholly owned enterprise	Research and development of broadband communication/the PRC	RMB53,512,424	100%
Golden Yuxing	The PRC/Sino-foreign co-operative joint venture	Research and development, design, marketing, distribution and sales of information appliances/ the PRC	US$3,042,000	100%*
Hi-Level Technology Limited	Hong Kong/limited liability company	Trading and distribution of integrated circuits/HK	15,000,000 ordinary shares of HK$1 each	51%
Sheng Bang Qiang Dian Electronics (Shenzhen) Co., Ltd	The PRC/Foreign wholly owned enterprise	Manufacturing, distribution and sales of information home appliances and electronic components/ the PRC	RMB50,000,000	100%



36. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ kind of legal entity	Principal activities/ place of operation	Particulars of issued share capital/ registered capital	Interest held
Indirect subsidiaries (Continued):				
Sheng Bang Qian Dian Electronics (Zhong Shan) Limited	The PRC/Foreign wholly owned enterprise	Manufacturing, distribution and sales of information home appliances and electronic components/ the PRC	RMB18,266,371	100%
Video Innovation Technology Limited (Formerly "Yangson Electronics Limited")	Hong Kong/limited liability company	Trading and distribution of integrated circuits/HK	500,000 ordinary shares of HK$1 each	51%
Yield Lasting Investments Ltd.	BVI/limited liability company	Property holding/HK	1 ordinary share of US$1	100%
Yuxing Electrical & Lighting Limited	Hong Kong/limited liability company	Trading of fluorescent tube and light bulb/HK	1,000,000 ordinary shares of HK$1 each	60%
Yuxing Technology Company Limited	Hong Kong/limited liability company	Trading and distribution of electronic components and investment holding/HK	2 ordinary shares of HK$1 each	100%

* Golden Yuxing was established on 27th December 1996 as a company with limited liability in the PRC, and became a Sino-foreign co-operative joint venture enterprise on 8th November 1999 pursuant to the group reorganisation. According to the relevant joint venture agreement, the Group is entitled to the entire profit of Golden Yuxing.

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.