Yuxing InfoTech Holdings Limited

裕興科技控股有限公司*

(Incorporated in Bermuda with limited liability)

Stock Code: 8005

Annual Report 2006

*for identification purposes only

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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.

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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, the Group has experienced rapid growth since its establishment. The Group is principally engaged in research and development, design, manufacturing, marketing and sale of information appliances in the PRC and Hong Kong. Through a network of partnerships and distributors in the PRC and overseas, the Group sells information home appliances under "Yuxing" brandname or under third-party brand names.

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 appliances industry.

Besides its comprehensive distribution 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. Under the leadership of 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*
(Resigned on 15th May 2006)

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

Chen Fu Rong
Shi Guang Rong

AUDIT COMMITTEE

Shen Yan *(Chairman)*
Zhong Peng Rong
Wu Jia Jun

REMUNERATION COMMITTEE

Sun Li Jun *(Chairman)*
Wang An Zhong
Wu Jia Jun
Zhong Peng Rong
Shen Yan

AUDITORS

CCIF CPA Limited
Certified Public Accountants

PRINCIPAL BANKERS

China Merchants Bank
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
Block B, 7th Floor, Tian Cheng Technology Building
No. 2, Xinfeng Street, De Shen Men Wai
Beijing

Yanjiang Road East
Domestic Industrial Park
Torch Hi-Tech Industrial Development Zone
Zhong Shan

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

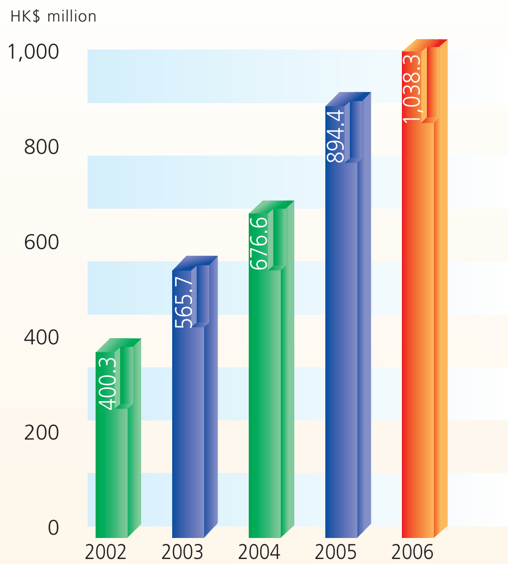
8005

Financial Highlights and Calendar

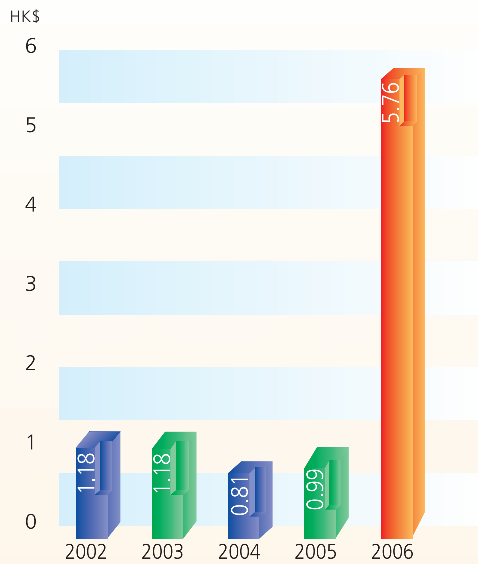
FINANCIAL HIGHLIGHTS

	2006 HK$'000	2005 HK$'000
Revenue		
Turnover	**1,038,300**	894,393
Profitability		
Profit from operations	**19,237**	88,471
Profit for the year	**12,937**	75,302
Net worth		
Total equity attributable to equity holders of the parent	**2,304,823**	395,740
Per share		
Earnings per share attributable to equity holders of the parent – Basic	**4.34 cents**	17.08 cents
Net assets per share	**5.76 dollars**	0.99 dollar

TURNOVER



NET ASSETS PER SHARE



FINANCIAL CALENDAR

Results for the year	Announcement on 22nd March 2007
Annual report	Despatched to shareholders in late March 2007
Annual general meeting	18th May 2007

Chairman's Statement

I would like to wish you a prosperous new year. It has been seven years since the Company was first listed in Hong Kong in January 2000. The beginning of the new year marked an unusual milestone for the Company, a milestone signifying the successful conclusion of the Group's infant stage. "If you want the rainbow, you gotta put up the rain". The Group's senior management team grinded and steeled itself during a period of severe thunderstorm and is now beginning to see the rainbow. As the Company departing from the infant stage and entering into a period of stability, the business of the Group will begin to grow steadily. The Group's senior management's is now more sophisticated, its vision is more broadened and its creativity is more enhanced.

In today's world, there are plenty of opportunities but also plenty of traps. As renowned management guru, Peter F. Drucker puts it "In turbulent times, an enterprise has to be managed both to withstand sudden blows and to avail itself of unexpected sudden opportunities" in order to survive. On behalf of the Company, I would like to thank the shareholders who during the past period of hardship have presented the company with their understanding and support and who have ratified the acquisition of the Group's indirect investment in the 51 million shares of Ping An Insurance (Group) Company of China Limited ("Ping An Insurance"). In addition, on behalf of the Board, I would like to take this opportunity, express the highest gratitude towards all the Group's employees, customers and suppliers for their support. I would also like to thank my peers – the directors of the Company for their faith and support in me. It has been shown that the Group's management team is an excellent one and a team worthy of investment. The world is changing but human nature is not. We will continue to manage the Company with the highest integrity and honesty. A man without integrity will fail but a man with integrity will not necessarily succeed. With integrity as a core value of the Group, we will continue to demonstrate our success with outstanding results.

Chairman's Statement

During our initial listing, we pitched the concept of IP set-top box. However, since the burst of Internet bubble, we fell into the depths of despair. We were not fully prepared to face this unexpected sudden change. During this period, we became fully aware of the capital market's cruelty. Hardship is our best teacher and we have been through the worst. As the tide retreats, the beach is left with dazzling shells. The Company's share is again being recognized by some investors for its value. I would like to thank them but at the same time, I would like to apologize for our share price not having returned to its peak, a level representing our desire and commitment towards our shareholders.

For our work we insist on our dedication. Our dedication means victory. We have turned the concept of set-top boxes into practice. We cooperated with PCCW and created one of world's first IPTV applications. We have established our own software platform. And we have also established an excellent team, in which half of the members have been with the Group for over 5 years. The team is headed by its key person, the General Manager Zhu Jiang, who joined the company in 1996. I would also like to invite him to give you a brief address on behalf of Yuxing Software. The World Wide Web has granted opportunities to innovative style Chinese enterprises like us. The opportunities do not only arise from set-top boxes, but also the whole web.

Nowadays the web has truly penetrated into the people and the application environment is relatively mature. In view of this, we will focus on web applications and create new applications based on three boxes: set-top boxes, personal computer ("PC") and mobile phones. We accumulated manes experiences and lard solid foundations in downturns so that we can make money in upturns. We anticipate that after 2007 and 2008, web applications will get to its new highs. Now we are ready and we will harvest in the upcoming Apple era.

I don't like to use the word "strategy" because it is too perplexing. What we need to achieve is to make the most out of our own edges, seize the unique opportunities belonged to us, cope with changes and improve persistently and continuously, attain speedy growth in this turbulent era, create added value for the shareholders, and give our staff a fortune to enjoy the happiness brought about by their efforts devoted to work.

Finally, I have come to notice the disclaimer opinion issued by the Company's auditors, CCIF. Although the Company has reluctantly accepted this opinion, I, on behalf of the Company, would like to assure the shareholders the value

Chairman's Statement

Sheng Bang Qiang Dian Electronics (Zhong Shan) Co., Ltd.

and the security of the Company's indirect investment in Ping An Insurance based on the following factors:

1. The 51 million shares of Ping An Insurance have been pledged in favour of the Group.

2. The only other shareholder of JI has provided an undertaking to transfer the 51 million shares of Ping An Insurance upon request from the Group after the local lock-up period.

3. The value of the Group's indirect investment in the 51 million shares of Ping An Insurance has been independently assessed.

STATEMENT BY MR. ZHU JIANG, GENERAL MANAGER OF BEIJING YUXING SOFTWARE CO., LIMITED

First of all, I would like to express my sincere gratitude towards Mr. Zhu for giving me the opportunity to introduce myself and the subsidiary, Beijing Yuxing Software Co. Ltd. which is the key legal entity responsible for the Group's Information Appliance Division. In addition, I would also like to thank the Group's senior management for their constant dedication and support provided to the Division.

Since joining the Group in 1996, I have committed myself in helping Yuxing to become a leader in the global information appliance industry. Today, I am proud to say that Yuxing has become the world's second largest IPTV set-top box producer. However, the road ahead of us still represents a long and difficult journey. Nevertheless, I am very confident that Yuxing will overcome all the obstacles and maintain its leadership in this particular sector.

Mr. Zhu Jiang, aged 49, is the general manager of Beijing Yuxing Software Co., Ltd., a wholly owned subsidiary of the Group. He graduated from the Department of Wireless Communication of the Beijing University of Technology. He has over 20 years of research experience in computer engineering, and has extensive experience in digital-to-analog circuits and high-level assembly language programming. He has participated in several important scientific research projects and has received a number of national awards.

Group Financial Summary

CONSOLIDATED RESULTS

For the year ended 31st December

	2006 HK$'000	2005 HK$'000	2004 HK$'000	2003 HK$'000	2002 HK$'000
Turnover	**1,038,300**	894,393	676,568	565,726	400,296
Profit before taxation	**14,527**	79,573	(133,330)	2,321	(24,093)
Taxation	**(1,590)**	(4,271)	(2,030)	(699)	(507)
Profit for the year	**12,937**	75,302	(135,360)	1,622	(24,600)
Minority interests	**4,431**	(6,982)	(4,435)	(1,399)	(997)
Profit for the year attributable to equity holders of the parent	**17,368**	68,320	(139,795)	223	(25,597)

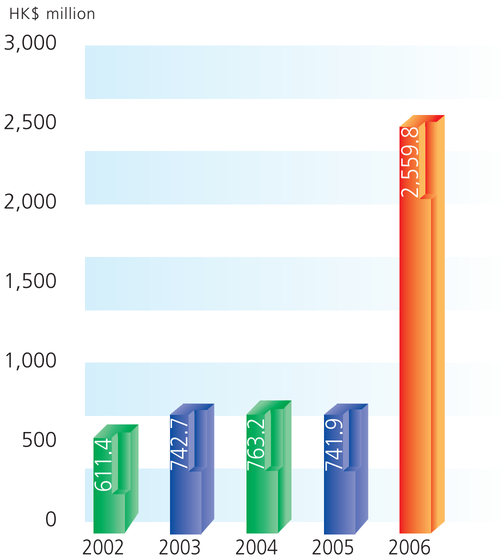
CONSOLIDATED ASSETS AND LIABILITIES

As at 31st December

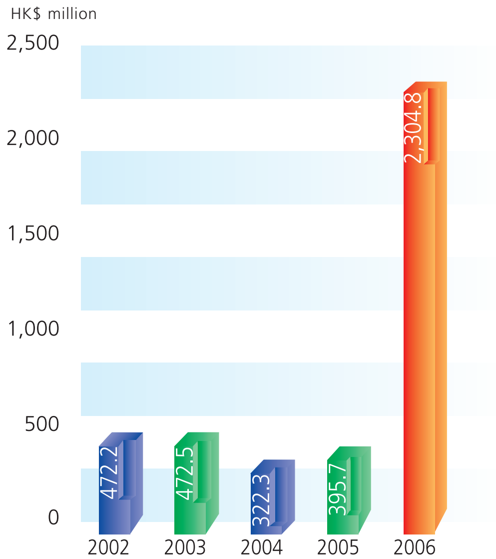
	2006 HK$'000	2005 HK$'000	2004 HK$'000	2003 HK$'000	2002 HK$'000
Total assets	**2,559,755**	741,925	763,229	742,728	611,359
Total liabilities	**239,437**	(326,259)	(427,357)	(261,149)	(132,819)
Minority interests	**(15,495)**	(19,926)	(13,526)	(9,091)	(6,320)
Total equity attributable to equity holders of the parent	**2,304,823**	395,740	322,346	472,488	472,220

Group Financial Summary

TOTAL ASSETS



NET ASSETS



FINANCIAL REVIEW

Turnover and Gross Profit

During the period under review, the Group's overall operating performance was relative stable as compared to the previous period. Although the Group's consolidated turnover continue to improve with a year-on-year growth of 16.1% to approximately HK$1,038.3 million, its overall gross profit has only met with a slight improvement of 4.0% to approximately HK$74.6 million. Excluding the large one-time gain of approximately HK$63.3 million from write-back of a provision which incurred in the previous year, the Group's operating profit under the year in review would have improved by about 250%.

Operating Results

Other Operating Income

Other operating income increased to approximately HK$30.7 million for the year ended 31st December 2006 (2005: approximately HK$16.6 million). This was mainly due to the Group's indirect investments in 51 million shares of Ping An Insurance declaring dividends of approximately RMB16.3 million (2005: approximately RMB7.1 million) to the Group during the year under review and certain realised and unrealised gains on financial assets in the fiscal year as compared to the last year.

Operating Expenses

The Group continued to maintain an overall tight control on the distribution selling and general and administrative expenses. However, due to one-time trade receivables provision of approximately HK$15.8 million for the year ended 31st December 2006 (2005: approximately HK$1.0 million) and an increase in professional fees incurred in conjunction with the application for the resumption of trading of the Company's shares. The Group's general and administrative expenses increased by 59.4%, while the overall distribution and selling expenses decreased by 65.6% despite an increase of 16.1% in turnover as compared to the last year.

Finance Costs

As the Group has repaid certain bank borrowings during the year under review, finance costs decreased significantly to approximately HK$4.7 million (2005: approximately HK$8.8 million) as compared to the last year.

Profit for the Year

The Group registered a profit attributable to equity holders of the parent of approximately HK$17.4 million for the year ended 31st December 2006, representing a decline in the profit of approximately HK$51.0 million as compared with last year. In addition, the strong profit from the previous year under review was due to the one-off gain of approximately HK$63.3 million arising from the release of the Group's obligation to repay two bank loans and the interests thereon and a revaluation gain of approximately HK$13.2 million on the Group's Hong Kong properties.

Liquidity, Charge on Group Assets and Financial Resources

As at 31st December 2006, the Group had net current assets of approximately HK$71.7 million. The Group had cash and bank deposits totalling approximately HK$94.1 million. The Group's financial resources were funded mainly by its shareholders' funds except for a bank and mortgage loan totalling approximately HK$45.3 million. As at 31st December 2006, the Group's current ratio was 1.3 times and the gearing ratio, as measured by total liabilities over total assets, was 0.1 time. Overall, the financial and liquidity position of the Group remained at a stable and healthy level during the year under review.

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 Group made an indirect investment in 51 million shares of Ping An Insurance, one of China's largest insurance companies through the acquisition of the 10.435% equity interest in Shenzhen Jiangnan Industrial Development Co., Ltd. ("JI") as referred to an agreement dated 10th August 2004. For the financial year 2005, Ping An Insurance recorded net earning per share of RMB0.68 and declared a special dividend of RMB0.2 per share. The Directors are confident that Ping An Insurance and its shareholders will continue to benefit from the robust economic development of the PRC.

FINANCIAL REVIEW *(Continued)*

On 15th November 2006, First I-Tech Limited ("First I-Tech"), a wholly owned subsidiary of the Company, entered into a conditional sale and purchase agreement (the "Agreement") with S.A.S. Investment Company Limited ("SAS"), an independent third party, pursuant to which First I-Tech agreed to dispose of the 51% shareholding of Hi-Level Technology Limited and its subsidiaries for a consideration of HK$30.0 million (the "Disposal"). The above transaction was detailed in the Company's circular dated 30th December 2006 and was subsequently completed on 2nd January 2007.

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

Segment Information

The Group's star business segment was the information home appliances ("IHA"). In this segment, Information Appliances ("IA") division enjoyed a stable demand from its customers and business partners. During the period under review, the division continued to work closely with its various business partner to distribute its products. In addition to the established customers in Hong Kong and Japan, the division has cooperated with a renowned PRC telecom equipment provider to deploy IPTV services. As a result, the total turnover of the IHA segment increased by 5.6% to approximately HK$186.5 million as compared to the corresponding period last year. However, due to a provision for inventory of approximately HK$5.7 million incurred in the Audio-Visual ("AV") division in this segment, the IHA segment recorded a slight decrease in its operating profit by 3.0% to approximately HK$21.2 million as compared to last year.

In the segment of electronic components ("EC"), the Integrated Circuit ("IC") division which had been the Group's second star division incurred certain operational issues during the year under review. This division incurred one-time trade receivables provision of approximately HK$15.8 million. In addition, provisions for inventory of approximately HK$8.9 million also incurred in certain electronic components that yielded low return. As a result, the turnover of this segment grew by 17.7% while an operating loss of approximately HK$16.0 million was recorded during the year under review.

The PRC was the Group's major market. During the year 2006, the PRC market had a strong demand for the latest digital consumer electronic products. As a result, there was a strong revenue growth of 44.5% to approximately HK$744.5 million as compared to last year in the PRC market. However, the Group's exposure to Hong Kong and overseas markets has declined 19.4% and 34.6% in 2006 to approximately HK$242.3 million and HK$51.5 million respectively as compared with last year.

Exposure to Fluctuations in Exchange Rates

Most of the trading transactions of the Group were denominated in US dollars and in Renminbi, while assets of the Group were mainly denominated in Renminbi and the remaining portions were denominated in Hong Kong dollars. The official rates for US dollars and Renminbi have remained stable for the year 2006. No hedging or similar measures have been implemented by the Group. As at 31st December 2006, the Group had no significant exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

Contingent liabilities

As at 31st December 2006, the Group did not have any significant contingent liabilities.

Human Resources

As at 31st December 2006, the Group had over 680 full time employees, of which 27 were based in Hong Kong and the rest were in the PRC. For the year ended 31st December 2006, staff costs amounted to approximately HK$24.9 million (2005: approximately HK$18.8 million). All employees of the Company's subsidiaries are selected and promoted based on their suitability for the position offered. The salary and benefit levels of the Group's employees are in line with the market. Employees are rewarded on a performance-related basis within the general framework of the Group's remuneration system which is reviewed annually. In addition to the basic salaries, staff benefits include medical scheme, various insurance schemes and share options.

BUSINESS REVIEW

During the year under review, the best news to the shareholders is probably the resumption of trading in the Company's shares after more than two years of suspension. During the first day of trading, the Company's share price was as high as HK$3.3, an increase of over ten times comparing the share price prior to the suspension of the shares. Subsequent to the period under review, the Group's indirect investment in the 51 million shares of Ping An Insurance was ratified by the independent shareholders on 1st March 2007. In addition, as the 51 million shares of Ping An Insurance indirectly invested by the Group have been converted to "A" shares (i.e. shares being traded on Shanghai Stock Exchange), the Group will be able to freely trade these shares subject to the local regulatory lock-up requirements. As such, the Group was able to account for the market value of these shares which was approximately HK$2,097.3 million on its balance sheet and thus, the Group recorded net assets value of approximately HK$2,304.8 million or approximately HK$5.8 per share as at 31st December 2006.

The Company has noticed the disclaimer opinion issued by CCIF, the Company's auditors. However, the Company is of the view that the current indirect investment of the Ping An Shares where the 51 million shares have been pledged in favour of the Group, and where the only other shareholder of JI has provided an undertaking to transfer the shares to the Group upon request (subject to the local regulatory lock-up periods) has been fairly and independently valued by Vigers Appraisal and Consulting Limited – an independent qualified professional valuer.

The Group's star division, IA division continued to make a strong contribution to the Group's consolidated income and the division is also one of the main reasons which contribute the Group's improving operating profit. Another main reason which contributed to the Group's improvement in operating profit is the dividends which the Group received from its indirect investment in the 51 million shares of Ping An Insurance.

On the other hand, the Group's other star division, the IC division has contributed a loss of approximately of HK$16.0 million. The main reason of the loss contribution is due to provisions of trade receivables. Nevertheless, the Group has concluded the disposal of this division as of early January 2007. In addition, the Group's Original Equipment Manufacturing ("OEM") division continues to be the reason dragging down the Group's operating profit. Finally, the lower operating profit was also attributable to the high professional expenses incurred during the process of application for resumption of the trading of the Group's shares.

IA Division

As mentioned above, one of the main contribution to the Group's operating profit is from the IA division which continued to maintain its leading position in the Global Internet Protocol Television ("IPTV") set-top box industry. According to a renowned research institute, Multimedia Research Group, Inc., the Group was the second largest IPTV set-top box producer worldwide as of 2006.

During the year under review, despite a stagnant demand from the division's two largest customers, the division was able to capitalize its relationship with a major Chinese telecom equipment provider and worked closely with this provider to deploy IPTV service in a major country in North Africa. Furthermore, the division continued to work closely with this equipment provider in other major countries. In addition to this equipment provider, the division has also further built strong relations with a partner in Europe and another partner in China. The division is expecting to capitalize on these two relations in the coming years.

In terms of product development, the division has also finalized its design using H.264 protocols which can provide much efficient transfer of high quality digital video at a much lower bandwidth. Video encoded based on H.264 is expected to have a significant impact on the overall IPTV industry since the technology will enable the delivery of high definition programming at the bandwidth where MPEG-2 (Motion Picture Experts Group - 2) encoded video can only deliver DVD quality.

OEM Division

As mentioned above, the weaker performance of the OEM division continues to be one of the main factors contributing to lower overall profitability of the Group. One of the main reasons for this poor performance is due to the reduction of the division's unprofitable product lines in optical pick-up units, thus leading to provisions of excessive inventories in relation to these product lines.

BUSINESS REVIEW *(Continued)*

Nevertheless, during the year, the division has developed various new product lines such as portable handheld television set and portable multimedia player, and has developed a variety of new customers.

BUSINESS PROSPECT

As mentioned above, one of the Group's most important investments is its indirect holding of 51 million shares of Ping An Insurance. The independent shareholders of the Company ratified the acquisition on 1st March 2007 without a single vote casting against the acquisition. Furthermore, the Company's share performance since its resumption of trading further signifying the wide approval of the Company's investment in Ping An Insurance. The shares of Ping An Insurance was further listed on 1st March 2007 on Shanghai Stock Exchange with a closing price of over RMB46 on its first day of trading. This translated a potential unrealizable profit of over RMB2.0 billion to the Group. In addition to the value of Ping An Insurance, another important investment of the Group is its 100% owned operation in the design and manufacturing of IPTV set-top boxes. Given the division's leading status in the IPTV market and the value of investment in Ping An Insurance, the Group's senior management believes that the Company's share price has not fully reflected the value of the Group.

Therefore, a key objective for the Group's senior management in this year is to strengthen its investors' relationship in order to promote the Company's share price.

As such, the Group's directors have come to a decision on its dividend policy which is to distribute an annual cash dividend that is not less than the cash dividends which the Group received from its investment in Ping An Insurance. In other words, the Group will distribute dividends that it receives from its investment in Ping An Insurance plus any other available cash generated from the Group's other core operations. Currently, the Group's senior management continues to believe in the long term prospect of Ping An Insurance and does not have any immediate plan to dispose any of Ping An Insurance shares. However, if the Group does decide to dispose any of these shares, the proceeds, other than retaining a portion for internal use, will be paid to the shareholders as special dividends. One of the Group's goals is to provide the Company's shareholders a return not less than the return generated from the 51 million shares of Ping An Insurance.

IA Division

According to the same research institute, the global IPTV subscribers are likely to grow from 8.0 million in 2006 to 50.7 million in 2010. In view of this strong growth potential coupled with the division's already leading position in this industry, the Group will dedicate more resources into this division. This dedication includes the possibility of acquiring another major IPTV set-top box producer in order to further strengthen the division's competitive position. Furthermore, the division further plans to expand its global presence with the possible establishment of a sales office outside China and of a field support office.

In addition, the division will further explore various other projects with its existing partners and continue to expand its operation into other geographical areas. One of the main focal points for the division is Europe which has seen a rising demand for IPTV set-top boxes. By enhancing its support functions and establishment of an overseas sales office, the division is confident in penetrating into this region.

OEM Division

After various years of weak performances, the division's senior management has decided to take on certain drastic measures which are designed to ensure that the division will be at least self-sufficient this year. Nevertheless, since the elimination of most of its DVD product lines, the division has introduced a variety of latest digital consumer electronics products. Furthermore, the division is expecting that the investment in the development of these product lines in the previous years will begin to reap in this year.

In terms of new product development, the Group will emphasize new applications based on the three boxes: set-top boxes, PC and mobile phones. The Group has accumulated many years of experiences and laid solid foundations in the past. Now, it is time to begin to enjoy the fruit of this investment.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Zhu Wei Sha, aged 52, 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 University of Technology 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. Mr. Zhu has 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 a 41.25% interest in the share capital of the Company.

Mr. Chen Fu Rong, aged 46, is a co-founder of the Group. He has been the deputy chairman of the Group since 2004 and a vice president of the Group since 1996. He graduated from the Department of Automatic Control of Beijing University of Technology 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 14 years' experience in research and development and engineering management. Mr. Chen is currently the executive president of Sheng Bang Qiang Dian Electronics (Shenzhen) Co., Ltd., a wholly-owned subsidiary of the Group and is deputy chairman of the board of the Company (the "Board"). Mr. Chan is also a director and a shareholder of Super Dragon.

Mr. Wang An Zhong, aged 50, is a vice president of the Group. He graduated with a master degree in engineering from the Department of Computer Science of the Beijing University of Technology. 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 46, 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 University of Technology. He had worked at various enterprises in the PRC. He is responsible for the marketing and public relation matters of the Group and possesses 16 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 28% interests in the share capital of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wu Jia Jun, aged 74, 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 Independent Non-executive Director in October 1999.

Biographical Details of Directors and Senior Management

Mr. Zhong Peng Rong, aged 52, 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 21 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 Independent Non-executive Director in October 1999.

Ms. Shen Yan, aged 43, holds a bachelor degree in Accounting and has 12 years of experience in accounting and 8 years of experience in auditing. She is currently a tutor of North China University of Technology. Ms. Shen was appointed as Independent Non-executive Director in January 2005.

COMPANY SECRETARIES

Mr. Di Yu Zeng, aged 46, is a 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 at a large domestic enterprise 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.

SENIOR MANAGEMENT

Mr. Liu Chia Yao, Joseph, aged 40, is the Chief Strategist 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 34, is the financial controller of the Group. She is a graduate of the Monash University in Australia with a master degree in Practising Accounting and holds a bachelor degree in 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 9 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 2006.

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 41 to the financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 6 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 30 to the financial statements.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31st December 2006 are set out in the consolidated income statement on page 32.

The Board has recommended to pay a final dividend of HK 5.0 cents per share for the year ended 31st December 2006. Such proposed dividend is subject to shareholders' approval at the annual general meeting (the "AGM") to be held on 18th May 2007. The register of members of the Company will be closed from 11th June 2007 to 12th June 2007, both days inclusive, during which period no transfer of shares will be registered. The final dividend will be payable on or before 18th June 2007 to shareholders whose names appear on the register of members of the Company on 12th June 2007.

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 35 and note 32 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 17 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.

Directors' Report

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 9.

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 31 to the financial statements.

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

			Number of share options				
Name of director	**Exercise price per share** HK$	**Exercisable period**	**At 1st January 2006**	**Exercised during the year**	**Granted during the year**	**Cancelled/ lapsed during the year**	**At 31st December 2006**
Mr. Wang An Zhong	1.19	26th December 2006 – 17th May 2013	–	–	1,000,000	–	**1,000,000**
Mr. Shi Guang Rong	1.19	26th December 2006 – 17th May 2013	–	–	500,000	–	**500,000**
Mr. Wu Jia Jun	1.19	26th December 2006 – 17th May 2013	–	–	400,000	–	**400,000**
Mr. Zhong Peng Rong	1.19	26th December 2006 – 17th May 2013	–	–	400,000	–	**400,000**
Ms. Shen Yan	1.19	26th December 2006 – 17th May 2013	–	–	400,000	–	**400,000**

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 31 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 15 and 16.

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

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Wang An Zhong will retire and being eligible, offer himself for re-election at the AGM. According to the existing Bye-law, no director holding the office as chairman of the Board and/or Managing Director shall be subject to retirement by rotation. However, Mr. Zhu Wei Sha has volunteered himself to retire and, being eligible, to offer himself for re-election at the 2007 AGM, and to be subject to retirement by rotation in the future.

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 and subsequent terms of three years on 7th October 2005. 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 2005 and have accepted to continue their appointment for another two-year term expiring on 24th October 2007. Ms. Shen Yan was appointed as Independent Non-executive Director for a term of one year expiring on 11th January 2006 and has accepted to continue for another two-year term expiring on 11th January 2008.

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

Save as 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.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN CONTRACTS

No contracts of significance between the Group and a controlling shareholder or any of its subsidiaries 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 10 and 11 to the financial statements.

EMOLUMENT POLICY

The Directors are paid fees in line with market practice. The Group adopted the following main principles of determining the Directors' remuneration:

- No individual should determine his or her own remuneration;
- Remuneration should be broadly aligned with companies with whom the Group competes for human resources; and
- Remuneration should reflect performance and responsibility with a view to motivating and retaining high performing individuals and enhancing of the value of the Company to its shareholders.

In addition to the basic salaries, a share option scheme is adopted for rewarding good performers as well as retaining talented staff for the continual operation and development of the Group.

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

As at 31st December 2006, 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 the minimum standards of dealing by Directors as referred to in 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.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

(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, Directors 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 2006 were as follows:

				Number of share options				
Name of Director	Date of grant	Exercise price per share HK$	Exercisable period	At 1st January 2006	Exercised during the year	Granted during the year	Cancelled/ lapsed during the year	At 31st December 2006
Mr. Wang An Zhong	26th December 2006	1.19	26th December 2006 – 17th May 2013	–	–	1,000,000	–	**1,000,000**
Mr. Shi Guang Rong	26th December 2006	1.19	26th December 2006 – 17th May 2013	–	–	500,000	–	**500,000**
Mr. Wu Jia Jun	26th December 2006	1.19	26th December 2006 – 17th May 2013	–	–	400,000	–	**400,000**
Mr. Zhong Peng Rong	26th December 2006	1.19	26th December 2006 – 17th May 2013	–	–	400,000	–	**400,000**
Ms. Shen Yan	26th December 2006	1.19	26th December 2006 – 17th May 2013	–	–	400,000	–	**400,000**

Save as disclosed above, none of the Directors or chief executive of the Company had, as at 31st December 2006, 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 the minimum standards of dealing by Directors as referred to in 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 2006, 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 shareholders	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	112,000,000	Trustee	28.00%

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 2006, the Company had 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	75.3%
–	five largest suppliers combined	84.4%

Sales

–	the largest customer	7.7%
–	five largest customers combined	24.6%

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.

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.

SUMMARY OF AUDITORS' REPORT

Basis for disclaimer of opinion

The financial statements as at 31st December 2006, the Group through its wholly owned subsidiary Beijing Golden Yuxing Electronics and Technology Company Limited ("Golden Yuxing") held an available-for-sale financial asset of the 36.66% equity 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 China Limited ("Ping An Shares"). The interest in JI and the revaluation surplus stated in the consolidated balance sheet as at 31st December 2006 are approximately RMB2,107,299,000 (equivalent to approximately of HK$2,097,441,000) and RMB1,890,299,000 (equivalent to approximately of HK$1,881,457,000) respectively, which was revalued by Vigers Appraisal & Consulting Limited, independent qualified professional valuers not connected with the Group. The valuation was arrived at by reference to the unaudited management accounts of JI as at 31st December 2006 and adjusted by the estimated market value of its Ping An Shares. However, no audited financial statements and the detailed financial information of JI for the year ended and as at 31st December 2006 have been obtained by the Group on the ground that, in the opinion of the Company's directors, Golden Yuxing has no significant influence over JI as the other 63.34% equity interest is controlled by one shareholder, who also manages all significant and day-to-day operations of JI. In addition, in April 2005, although no notification had been served on the Group by the PRC authority, the Directors were informed by JI that the Foshan Police Bureau had requested the Shenzhen Industrial and Commercial Administration Bureau to refuse the transfer, pledge or sale of the 10.435% equity interest in JI held by Golden Yuxing. The Company directors have not been informed by the PRC authorities about this moratorium or any further development about the moratorium up to the date of audit report issue.

Directors' Report

SUMMARY OF AUDITORS' REPORT *(Continued)*

Basis for disclaimer of opinion *(Continued)*

For the reason stated as above, we have not been provided with the audited financial statements and the detailed financial information of JI for the year ended and as at 31st December 2006 and the sufficient information of the uncertainty on the restriction on the transfer, pledge or sale of the 10.435% equity interest in JI held by Golden Yuxing. There were no other satisfactory alternative audit procedures that we could perform to quantify the extent of the impairment losses made in respect of the available-for-sale financial asset of the 36.66% equity interest in JI and to satisfy ourselves as to whether the available-for-sale financial asset and the revaluation reserve stated in the consolidated balance sheet as at 31st December 2006 of approximately HK$2,097,441,000 and HK$1,881,457,000 respectively are fairly stated and free from material misstatement. Any adjustment to the figures may have a consequential effect on the Group's profit for the year and net assets of the Company and the Group as at 31st December 2006.

Disclaimer of opinion: disclaimer on view given by financial statements

Because of the significance of the matter described in the basis for disclaimer of opinion paragraph, we do not express an opinion on the financial statements as to whether they give a true and fair view of the state of affairs of the Company and the Group as at 31st December 2006 and of the profit and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion, the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

AUDITORS

Messrs. Deloitte Touche Tohmatsu ("Deloitte"), who acted as auditors of the Company since 16th August 2002, had resigned on 21st December 2005 and CCIF CPA Limited ("CCIF") were appointed as provisional auditors of the Company on 26th January 2006 to fill the casual vacancy.

A resolution will be submitted to the 2007 AGM of the Company to re-appoint CCIF as auditors of the Company.

On behalf of the Board
Yuxing InfoTech Holdings Limited
Zhu Wei Sha
Chairman

Beijing, the PRC, 22nd March 2007

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

The Group has adopted a set of Code on Corporate Governance ("Company Code") which sets out the corporate standards and practices used by the Group to direct and manage its business affairs. It is prepared by referencing to the principles, code provisions and recommended best practices set out in the Code on Corporate Governance Practices ("GEM Code") contained in Appendix 15 of the GEM Listing Rules, which came into effect on 1st January 2005. The Board will continue to monitor and revise the Company Code and assess the effectiveness of our corporate governance practices in tandem with changes in the environment and requirements under the GEM code, to ensure the Company code is in line with the expectations and interests of shareholders and comply with the GEM code and the listing rules.

Subject to the deviations as disclosed hereof and under the sections "Chairman and Chief Executive Officer" and "Securities Transactions By Directors", the Company has complied with all the GEM Code during the period under review.

(a) Under provision A.4.2 of the GEM Code, every Director should be subject to retirement by rotation at least once every three years. The existing Bye-laws of the Company provide that no Director holding office as chairman of the Board and/or managing Director shall be subject to retirement by rotation or be taken into account in determining the member of Directors to retire in each year. Accordingly, as at the date hereof, Mr. Zhu Wei Sha, being the chairman and a Director of the Company, is not subject to retirement by rotation. However, Mr. Zhu has volunteered himself for retirement and re-election starting from 2007 AGM, and subject to retirement by rotation in the future.

(b) Under provision E.1.2 of the GEM code, the chairman of the Board should attend the AGM and arrange for the chairman of the audit, remuneration and nomination committees (as appropriate) to be available to answer questions at the AGM. Mr. Chen Fu Rong, the deputy chairman of the Company has been performing the above duties in lieu of Mr. Zhu Wei Sha, the chairman of the Company, who was absent from office for the period under review, as more fully particularised in the Company's announcement dated 8th December 2006 and circular dated 5th February 2007.

SECURITIES TRANSACTIONS BY 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 all 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.

Corporate Governance Report

BOARD COMPOSITION

The Board is responsible for managing the Company on behalf of shareholders. The Board is of the view that it is the Directors' responsibility to create value for shareholders as a whole and safeguard the best interests of the Company and the shareholders by discharging its duties in a dedicated, diligent and prudent manner on the principle of good faith.

The Board comprises a total of seven Directors, with four Executive Directors, namely, Mr. Zhu Wei Sha (Chairman), Mr. Chen Fu Rong (Deputy Chairman), Mr. Shi Guang Rong and Mr. Wang An Zhong; and three Independent Non-executive Directors, namely, Mr. Wu Jia Jun, Mr. Zhong Peng Rong and Ms. Shen Yan who has appropriate professional qualifications, accounting and financial management expertise.

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

The primary functions of the Board include:

- deciding on the overall strategies, overseeing operational and financial performance and formulating appropriate policies to manage risk exposure associated with realizing the strategies and goals of the Group;

- being held accountable for the internal control system of the Company and responsible for reviewing its effectiveness;

- being ultimately responsible for preparing financial accounts and discussing the performance, financial conditions and prospects of the Company in a balanced, clear and comprehensible manner. These responsibilities are applicable to quarterly, interim and annual reports of the Company, other price sensitive announcements published according to the GEM Listing Rules and disclosure of other financial information, reports submitted to regulatory bodies and information disclosable under statutory requirements;

- whilst Executive Directors, who oversee the overall business of the Company, are responsible for the daily operations of the Company, the Board is responsible for affairs involving the overall policies, finance and shareholders of the Company, namely financial statements, dividend policy, significant changes to accounting policies, annual operating budgets, material contracts, major financing arrangements, principal investment and risk management strategy; Implementation and execution of such decisions is delegated to the management;

- the management is well informed of its powers and duties with clear guidelines and instructions, in particular regarding situations under which reporting to the Board is necessary and matters that require the approval of the Board before any decisions or commitments can be made on behalf of the Company; and

- regularly reviewing its own functions and the powers conferred upon Executive Directors to ensure appropriate arrangements are in place.

BOARD COMPOSITION *(Continued)*

The full Board meets at least four times a year, at approximately quarterly intervals, to review the financial performance, results of each period, material investments and other matters of the Group that require the resolution of the Board. Simultaneous conference call may be used to improve attendance when individual Director cannot attend the meeting in person. Opinions of the Independent Non-executive Directors are actively sought by the Company if they are unable to attend the meeting in person. These is no financial business, family or other material relationship among the members of the Board.

In 2006, the Board held four full board meetings. The attendance record of each member of the Board is set out below:

Executive Directors	**Attendance**
Mr. Zhu Wei Sha *(Chairman)*	1/4
Mr. Chen Fu Rong *(Deputy Chairman)*	4/4
Mr. Wang An Zhong	4/4
Mr. Shi Guang Rong	4/4
Independent Non-executive Directors	
Mr. Wu Jia Jun	4/4
Mr. Zhong Peng Rong	4/4
Ms. Shen Yan	4/4

All the Independent Non-executive Directors are appointed for two-year term, and subject to rotation and re-election pursuant to the Company's Bye-laws. Details of their appointment please refer to the section "Directors' Service Contracts" on page 19.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under provision A.2.1 of the GEM Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The roles of the Group's chairman and chief executive officer were effectively performed by Mr. Chen Fu Rong for the period under review due to Mr. Zhu's absence from office. The deviation from this code provision could be explained by the suitability of Mr. Chen Fu Rong, co-founder of the Group, to take up the role of chairman of the Group with his high standing both within the Group and in the domestic electronics industry at large in light of the swift expansion of the Group. In view of the above, the Board, after due and careful consideration, was of the view that Mr. Chen was during the period under review the single most suitable person to perform the roles of both the chairman and chief executive officer of the Group. Therefore, the roles of the chairman and chief executive officer of the Group were exercised by the same individual.

NOMINATION OF DIRECTORS

The Board is responsible for considering the suitability of a candidate to act as a director, and approving and terminating the appointment of a director. The chairman of the Board is mainly responsible for identifying suitable candidates for the Board when there is a vacancy or an additional director is considered necessary. The chairman of the Board will propose the appointment of such candidates to the Board for consideration and the Board will review the qualifications of the relevant candidates for determining the suitability to the Group on the basis of his/her qualifications, experience and background. The decision of appointing a director must be approved by the Board. Any newly appointed director by the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting.

REMUNERATION COMMITTEE

The remuneration committee of the Company was established in October 2005. It comprises Mr. Sun Li Sun (Chairman), Mr. Wang An Zhong and all Independent Non-executive Directors, Mr. Wu Jia Jun, Mr. Zhong Peng Rong and Ms. Shen Yan. The remuneration committee performs its functions, which primarily include assisting the Board in the overall management of the remuneration practices of the Group to ensure that effective policies, processes and practices are implemented in respect of the incentives for the Directors and senior management, in accordance with provision B.1.3 of the GEM Code.

During the year 2006, the remuneration committee of the Company convened two meetings, in which duties of the remuneration committee were identified, the appraisal system of the Company was reviewed, and all matters concerning the determination of remuneration of the Directors and senior management were discussed. In addition, the remuneration policies and incentive mechanism applicable to the Directors and senior management and the overall remuneration system of the Group were further refined and reasonable recommendations were made to the Board in the meetings. The remuneration committee of the Company has considered and reviewed the existing terms of employment contracts of the Executive Directors and appointment letters of the Independent Non-executive Directors.

Details of the attendance of the remuneration committee meeting are as follows:

Members	**Attendance**
Mr. Sun Li Jin *(Chairman)*	2/2
Mr. Wang An Zhong	2/2
Mr. Wu Jia Jun	2/2
Mr. Zhong Peng Rong	2/2
Ms. Shen Yan	2/2

AUDITORS' REMUNERATION

The remuneration in respect of audit services provided by the auditors, CCIF, to the Group in the year 2006 amounted to HK$920,000. The auditors, CCIF did not provide any non-audit services for the year 2006.

AUDIT COMMITTEE

The Company established an audit 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. Ms. Shen Yan 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.

The attendance record of each member of the audit committee is set out below:

Members	**Attendance**
Ms. Shen Yan *(Chairman)*	4/4
Mr. Zhong Peng Rong	4/4
Mr. Wu Jia Jun	4/4

The audit committee has carefully reviewed the Company's quarterly, half-yearly and annual results and its system of internal control and has made suggestions to improve them. The Committee also carried out and discharged its duties set out in the GEM Code.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR ACCOUNTS

Statements of Directors' responsibilities for preparing the financial statements and external auditors' reporting responsibilities are set out in the Auditors' Report.

INTERNAL CONTROL

The Directors have reviewed and are satisfied with the effectiveness of the Group's internal control system, including, in particular, financial, operational and compliance controls and risk management functions.

Independent Auditor's Report

CCIF

CCIF CPA LIMITED
20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay, Hong Kong

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

We have audited the consolidated financial statements of Yuxing InfoTech Holdings Limited set out on pages 32 to 84, which comprise the consolidated and company balance sheets as at 31st December 2006, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the report. Except for the limitation in the scope of our work as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. However, because of the matter described in the basis for disclaimer of opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION

As further disclosed in note 21 to the financial statements as at 31st December 2006, the Group through its wholly owned subsidiary Beijing Golden Yuxing Electronics and Technology Company Limited ("Golden Yuxing") held an available-for-sale financial asset of the 36.66% equity interest in Shenzhen Jiangnan Industrial Development Co., Ltd. ("JI"), a company which holds certain interests in the shares of Ping An Insurance (Group) Company of China Limited ("Ping An Shares") which was listed in the Shanghai Stock Exchange in the PRC on 1st March 2007. The interest in JI and the revaluation surplus stated in the consolidated balance sheet as at 31st December 2006 are approximately RMB2,107,299,000 (equivalent to approximately of HK$2,097,441,000) and RMB1,890,299,000 (equivalent to approximately of HK$1,881,457,000) respectively, which was revalued by Vigers Appraisal & Consulting Limited, independent qualified professional valuers not connected with the Group. The valuation was arrived at by reference to the unaudited management accounts of JI as at 31st December 2006 and adjusted by the estimated market value of its Ping An Shares. However, no audited financial statements and the detailed financial information of JI for the year ended and as at 31st December 2006 have been obtained by the Group, on the ground that, in the opinion of the Company's directors, Golden Yuxing has no significant influence over JI as the other 63.34% equity interest is controlled by one shareholder, who also manages all significant and day-to-day operations of JI. In addition, in April 2005, although no notification had been served on the Group by the PRC authority, the Company directors were informed by JI that the Foshan Police Bureau had requested the Shenzhen Industrial and Commercial Administration Bureau to refuse the transfer, pledge or sale of the 10.435% equity interest in JI held by Golden Yuxing. The Company directors have not been informed by the PRC authorities about this moratorium or any further development about the moratorium up to the date of audit report issue.

For the reason stated as above, we have not been provided with the audited financial statements and the detailed financial information of JI for the year ended and as at 31st December 2006 and the sufficient information of the uncertainty on the restriction on the transfer, pledge or sale of the 10.435% equity interest in JI held by Golden Yuxing. There were no other satisfactory alternative audit procedures that we could perform to quantify the extent of the impairment losses made in respect of the available-for-sale financial asset of the 36.66% equity interest in JI and to satisfy ourselves as to whether the available-for-sale financial asset and the revaluation reserve stated in the consolidated balance sheet as at 31st December 2006 of approximately HK$2,097,441,000 and HK$1,881,457,000 respectively are fairly stated and free from material misstatement. Any adjustment to the figures may have a consequential effect on the Group's profit for the year and net assets of the Company and the Group as at 31st December 2006.

DISCLAIMER OF OPINION: DISCLAIMER ON VIEW GIVEN BY FINANCIAL STATEMENTS

Because of the significance of the matter described in the basis for disclaimer of opinion paragraph, we do not express an opinion on the financial statements as to whether they give a true and fair view of the state of affairs of the Company and the Group as at 31st December 2006 and of the profit and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion, the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 22nd March 2007

Chan Wai Dune, Charles
Practising Certificate Number P00712

Consolidated Income Statement

For the year ended 31st December 2006

	Notes	2006	2005
		HK$'000	HK$'000
Turnover	6	**1,038,300**	894,393
Cost of sales		**(963,683)**	(822,621)
Gross profit		**74,617**	71,772
Other income	7	**–**	63,343
Other operating income	8	**30,707**	16,550
Distribution and selling expenses		**(6,878)**	(19,981)
General and administrative expenses		**(82,740)**	(51,898)
Other operating expenses		**(1,369)**	(2,628)
Fair value gain on investment properties	16	**4,900**	13,200
Impairment on loan receivables	26	**–**	(1,887)
Profit from operations	9	**19,237**	88,471
Finance costs	12	**(4,710)**	(8,778)
Share of results of associates		**–**	(147)
Gain on disposal of a subsidiary	33	**–**	27
Profit before taxation		**14,527**	79,573
Taxation	13	**(1,590)**	(4,271)
Profit for the year		**12,937**	75,302
Attributable to:			
Equity holders of the parent		**17,368**	68,320
Minority interests		**(4,431)**	6,982
		12,937	75,302
Proposed final dividend	14	**20,000**	–
Earnings per share attributable to the equity holders of the parent			
– Basic	15	**4.34 cents**	17.08 cents
– Diluted		**4.31 cents**	–

Consolidated Balance Sheet

As at 31st December 2006

	Notes	2006 HK$'000	2005 HK$'000 (Restated)
NON-CURRENT ASSETS			
Investment properties	16	**26,700**	21,800
Property, plant and equipment	17	**114,338**	114,896
Prepaid lease payments	18	**12,444**	12,315
Intangible assets	19	**881**	1,646
Available-for-sale financial assets	21	**2,099,626**	214,960
		2,253,989	365,617
CURRENT ASSETS			
Inventories	24	**105,819**	72,467
Trade and other receivables	25	**98,091**	164,788
Prepaid lease payments	18	**308**	297
Tax recoverable		**751**	–
Financial assets at fair value through profit or loss	22	**6,653**	3,311
Pledged bank deposits	34	**–**	35,225
Cash and cash equivalents		**94,144**	100,220
		305,766	376,308
CURRENT LIABILITIES			
Trade and other payables	27	**194,106**	239,105
Tax liabilities		**–**	2,175
Obligations under finance leases	28	**–**	1,471
Bank loans	29	**40,003**	77,080
		234,109	319,831
NET CURRENT ASSETS		**71,657**	56,477
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,325,646**	422,094
NON-CURRENT LIABILITIES			
Obligations under finance leases	28	**–**	912
Bank loans	29	**5,328**	5,516
		5,328	6,428
NET ASSETS		**2,320,318**	415,666
CAPITAL AND RESERVES			
Share capital	30	**40,000**	40,000
Reserves	32	**2,264,823**	355,740
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**2,304,823**	395,740
MINORITY INTERESTS		**15,495**	19,926
TOTAL EQUITY		**2,320,318**	415,666

Approved by the Board on 22nd March 2007 and signed on behalf of the Board by:

Zhu Wei Sha
Chairman

Shi Guang Rong
Vice President

Balance Sheet

As at 31st December 2006

	Notes	**2006**	2005
		HK$'000	HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	20	**449,870**	380,142
CURRENT ASSETS			
Trade and other receivables	25	**407**	279
Cash and cash equivalents		**924**	1,387
		1,331	1,666
CURRENT LIABILITIES			
Trade and other payables	27	**2,301**	1,152
Amounts due to subsidiaries	20	**4,873**	4,872
		7,174	6,024
NET CURRENT LIABILITIES		**(5,843)**	(4,358)
NET ASSETS		**444,027**	375,784
CAPITAL AND RESERVES			
Share capital	30	**40,000**	40,000
Reserves	32	**404,027**	335,784
TOTAL EQUITY		**444,027**	375,784

Approved by the Board on 22nd March 2007 and signed on behalf of the Board by:

Zhu Wei Sha
Chairman

Shi Guang Rong
Vice President

Consolidated Statement of Changes in Equity

For the year ended 31st December 2006

	Attributable to equity holders of the parent									
	Share capital HK$'000	Share premium HK$'000	Statutory reserves HK$'000	Investment revaluation reserves HK$'000	Share option reserves HK$'000	Translation reserves HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1st January 2005	40,000	381,713	11,767	–	–	732	(111,866)	322,346	13,526	335,872
Realised on disposal of a subsidiary	–	–	–	–	–	–	(49)	(49)	(582)	(631)
Transfer	–	–	5,107	–	–	(160)	(4,947)	–	–	–
Exchange adjustments	–	–	–	–	–	5,123	–	5,123	–	5,123
Profit for the year	–	–	–	–	–	–	68,320	68,320	6,982	75,302
At 31st December 2005 and at 1st January 2006	40,000	381,713	16,874	–	–	5,695	(48,542)	395,740	19,926	415,666
Equity-settled share based payment	–	–	–	–	139	–	–	139	–	139
Available-for-sale financial assets	–	–	–	1,881,457	–	–	–	1,881,457	–	1,881,457
Transfer	–	–	3,316	–	–	–	(3,316)	–	–	–
Exchange adjustments	–	–	–	–	–	10,119	–	10,119	–	10,119
Profit for the year	–	–	–	–	–	–	17,368	17,368	(4,431)	12,937
At 31st December 2006	**40,000**	**381,713**	**20,190**	**1,881,457**	**139**	**15,814**	**(34,490)**	**2,304,823**	**15,495**	**2,320,318**

Consolidated Cash Flow Statement

For the year ended 31st December 2006

	Note	2006 HK$'000	2005 HK$'000 (Restated)
OPERATING ACTIVITIES			
Profit before taxation		**14,527**	79,573
Adjustments for:			
Interest income		**(2,543)**	(1,591)
Interest expenses		**4,710**	8,778
Dividend income		**(15,943)**	(6,791)
Depreciation of property, plant and equipment		**8,268**	7,507
Fair value gain on investment properties		**(4,900)**	(13,200)
Amortisation of intangible assets		**768**	882
Amortisation of prepaid lease payments		**302**	315
Loss on disposal of property, plant and equipment		**90**	–
Gain on disposal of property, plant and equipment		**(4)**	–
Gain on disposal of a subsidiary	33	**–**	(27)
Loss on disposal of associates		**–**	606
Gains on disposal of financial assets at fair value through profit or loss		**(1,935)**	(147)
Net unrealised holding gains on financial assets at fair value through profit or loss		**(1,908)**	(315)
Write-down of inventories		**14,613**	12,506
Impairment on bad and doubtful debts		**15,529**	1,055
Other income		**–**	(63,343)
Impairment on loans receivables		**–**	1,887
Share of result of associates		**–**	147
Share option expenses		**139**	–
OPERATING CASH FLOWS BEFORE MOVEMENTS IN WORKING CAPITAL		**31,713**	27,842
Increase in inventories		**(46,872)**	(7,949)
Decrease/(increase) in trade and other receivables		**52,236**	(66,126)
(Decrease)/increase in trade and other payables		**(47,362)**	45,344
CASH USED IN OPERATIONS		**(10,285)**	(889)
Income taxes paid		**(4,551)**	(3,495)
NET CASH USED IN OPERATING ACTIVITIES		**(14,836)**	(4,384)

Consolidated Cash Flow Statement

For the year ended 31st December 2006

	Note	2006 HK$'000	2005 HK$'000 (Restated)
INVESTING ACTIVITIES			
Purchase of financial assets at fair value through profit or loss		**(8,135)**	(6,231)
Decrease in pledged bank deposits		**35,937**	72,324
Purchase of property, plant and equipment		**(4,906)**	(11,363)
Purchase of intangible assets		**–**	(1,202)
Increase in loans and interest receivables		**–**	(1,887)
Proceeds from disposal of financial assets at fair value through profit or loss		**8,546**	10,379
Interest received		**2,543**	1,591
Dividend received		**15,943**	6,791
Proceeds from disposal of property, plant and equipment		**919**	18
Proceeds from disposal of available-for-sale financial assets		**4,100**	–
Proceeds from disposal of a subsidiary	33	**–**	260
NET CASH GENERATED FROM INVESTING ACTIVITIES		**54,947**	70,680
FINANCING ACTIVITIES			
New bank and other loans raised		**50,000**	197,425
Repayment of bank and other loans		**(90,113)**	(280,810)
Interest paid		**(4,710)**	(8,778)
Repayment of obligations under finance leases		**(2,383)**	(1,416)
NET CASH USED IN FINANCING ACTIVITIES		**(47,206)**	(93,579)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(7,095)**	(27,283)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**100,220**	127,849
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**1,019**	(346)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR			
Cash and bank balances		**94,144**	100,220

Notes to the Financial Statements

1. GENERAL

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

The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 41.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations of Hong Kong Financial Reporting Standards ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are either effective for accounting periods beginning on or after 1st January 2006. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that affected the amounts reported for the current or prior accounting periods:

(a) Fair value option

In the current year, the Group has applied Hong Kong Accounting Standard ("HKAS") 39 (Amendment) The Fair Value Option which is effective for annual periods beginning on or after 1st January 2006.

Prior to 1st January 2006, the Group designated certain financial instruments as at fair value through profit or loss.

Financial assets previously designated as at fair value through profit or loss reclassified as available-for-sale investments

The amendment permits designating a financial asset or financial liability as at fair value through profit or loss only when certain conditions are met. Upon the application of this amendment, the Group has reclassified certain equity securities with a carrying amount of HK$208,594,000 as at 1st January 2005 as available-for-sale investments as these investments do not meet the conditions to be classified as at fair value through profit or loss.

This change in accounting policy has no impact on the Group's profit for current and prior years.

(b) Financial guarantee contracts

In the current year, the Group has applied HKAS 39 and HKFRS 4 (Amendments) Financial guarantee contracts which is effective for annual periods beginning on or after 1st January 2006.

A financial guarantee contract is defined by HKAS 39 Financial Instruments: Recognition and Measurement as "a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument".

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) Financial guarantee contracts *(Continued)*

Prior to 1st January 2006, financial guarantee contracts were not accounted for in accordance with HKFRS 4 Insurance Contract and those contracts were disclosed as contingent liabilities. A provision for financial guarantee was only recognised when it was probable that an outflow of resources would be required to settle the financial guarantee obligation and the amount can be estimated reliably.

Upon the application of these amendments, a financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

The adoption of the above new HKFRSs have no significant impact on the Group's accounting policies.

(c) Summary of the effects of the changes in accounting policies

The cumulative effect of the application of the new HKFRSs as at 31st December 2005 is summarised below:

	As at 31st December 2005 (originally stated)	Adjustments	As at 31st December 2005 (restated)
	HK$'000	HK$'000	HK$'000
Balance sheet items			
Available-for-sale financial assets	6,366	208,594	214,960
Financial assets at fair value through profit and loss	211,905	(208,594)	3,311
Total effects on assets	218,271	–	218,271

Certain new standards, amendments and interpretations to the published standards are mandatory for accounting period beginning on or after 1st May 2006 or later periods. The Group was not required to adopt these new standards, amendments and interpretations in the financial statements for the year ended 31st December 2006.

New standards, amendments and interpretations effective for the year ending 31st December 2007 are as follow:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Reporting and Impairment
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions

Notes to the Financial Statements

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

The Group has already commenced an assessment of the impact of these new standards, amendments and interpretations but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with new HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange and by the Hong Kong Companies Ordinance.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-company transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts and sales related taxes.

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

Interest income from a financial asset is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that assets' net carrying amount.

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

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

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

Buildings	3% or over the term of the lease, 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%

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as assets.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Interests in subsidiaries

A subsidiary is a company controlled by the Company. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

In the Company's balance sheet, an interests in subsidiaries is stated at cost less impairment losses, unless the investment is classified as held for sale.

(e) Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

(f) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating lease is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct cost incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as leasee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs (see below).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Leasing *(Continued)*

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Prepaid lease payments for interest in leasehold land is amortised over the lease term on a straight-line basis.

(g) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translated reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) 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 in profit or loss in the period in which they are incurred.

(i) Retirement benefit costs

Payments to defined contribution retirement benefit plan, state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

(j) 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Taxation *(Continued)*

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.

(k) Intangible assets

Patents, trademarks and film and musical recording rights are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets is provided on a straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

(l) 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, and carried at cost less subsequent accumulated and any accumulated impairment losses.

The amount initially recognised for internally generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meet the recognition critical. When no internally-generated intangible asset can be recognised, development expenditure and is recognised and is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is reported at cost less accumulated amortisation and accumulated impairment losses on the same basis as intangible assets acquired separately.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible 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.

(n) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(o) Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a Group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Financial instruments *(Continued)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset from part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and bills receivables, prepayments, deposits and other receivables) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the assets' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Financial instruments *(Continued)*

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as any of the other categories (set out above). At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Other financial liabilities

Other financial liabilities including trade and bills payables, other payables and accruals, bank borrowings and obligations under finance leases are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Financial instruments *(Continued)*

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expired). The difference between the carrying amount of the financial liability derecognised and the consideration received or receivable is recognised in profit or loss.

(p) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

(q) Equity settled share-based payment transactions

Share options granted to directors and employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period with a corresponding increase in equity (share options reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held in share options reserve.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(s) Related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party's financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are to the benefit of employees of the Group or of any entity that is a related party of the Group.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycles. Management will reassess the estimates by the balance sheet date.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Impairment on bad and doubtful debts

The policy for impairment on bad and doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, trade and other payables and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Renminbi (RMB) and United States Dollars (USD). The Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure.

Interest rate risk

The Group's fair value interest rate risk relates to fixed-rate and variable-rate borrowings. The Group is exposed to interest rate risk through the impact of rate changes on interest bearing obligations under finance leases and bank loans. The interest rates and terms of repayment of obligations under finance leases and bank loans of the Group are disclosed in notes 28 and 29 respectively.

The Group has not used any interest rate swaps to hedge its exposure in interest rate risk.

Credit risk

The Group has no significant concentrations of credit risk. The carrying amount of bank and cash balances, trade and other receivables, and loans and interest receivables represent the Group's maximum exposure to credit risk in relation to financial assets. The Group has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Price risk

The Group's financial assets at fair value through profit or loss are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity security price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents to meet its commitments over the next year in accordance with its strategic plan.

6. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into two major operating segments – information home appliances and electronic components. These segments 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 miscellaneous products to business partners, none of which are of a sufficient size to be reported separately.

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

For the year ended 31st December 2006

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

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

6. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

As at 31st December 2006

	Information home appliances HK$'000	Electronic components HK$'000	Other operations HK$'000	Consolidated HK$'000
ASSETS				
Segment assets	164,628	200,725	8,331	373,684
Unallocated corporate assets				2,186,071
Total assets				2,559,755
LIABILITIES				
Segment liabilities	23,544	159,276	786	183,606
Unallocated corporate liabilities				55,831
Total liabilities				239,437
OTHER INFORMATION				
Capital additions	2,602	2,181	123	4,906
Depreciation and amortisation	5,658	1,963	1,717	9,338
Write-down of inventories	5,677	8,936	–	14,613
(Reversal of impairment on)/impairment on bad and doubtful debts	(145)	15,674	–	15,529

6. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

For the year ended 31st December 2005

	Information home appliances HK$'000	Electronic components HK$'000	Other operations HK$'000	Elimination HK$'000	Consolidated HK$'000
TURNOVER					
External sales	176,644	707,998	9,751	–	894,393
Inter-segment sales*	225,218	119,077	3,990	(348,285)	–
Total	401,862	827,075	13,741	(348,285)	894,393
RESULTS					
Segment results	21,877	77	(2,135)	–	19,819
Unallocated corporate income					16,550
Other income					63,343
Fair value gain on investment properties					13,200
Impairment on loan receivables					(1,887)
Other unallocated corporate expenses					(22,554)
Profit from operations					88,471
Finance costs					(8,778)
Share of results of associates					(147)
Gain on disposal of a subsidiary					27
Profit before taxation					79,573
Taxation					(4,271)
Profit for the year					75,302

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

6. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

As at 31st December 2005

	Information home appliances HK$'000	Electronic components HK$'000	Other operations HK$'000	Consolidated HK$'000
ASSETS				
Segment assets	187,661	225,885	1,984	415,530
Unallocated corporate assets				326,395
Total assets				741,925
LIABILITIES				
Segment liabilities	22,703	179,569	1,077	203,349
Unallocated corporate liabilities				122,910
Total liabilities				326,259
OTHER INFORMATION				
Capital additions	8,697	3,442	426	12,565
Depreciation and amortisation	6,258	1,204	1,242	8,704
Write-down of inventories	2,668	9,838	–	12,506
Impairment on bad and doubtful debts	450	605	–	1,055

6. SEGMENT INFORMATION *(Continued)*

Geographical segments

The Group's information home appliances division is located in the People's Republic of China (other than Hong Kong) (the "PRC") and its products are also distributed in the PRC, Hong Kong and other countries. The electronic components segment 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	
	2006	2005
	HK$'000	HK$'000
The PRC	**744,505**	515,148
Hong Kong	**242,323**	300,591
Other countries	**51,472**	78,654
	1,038,300	894,393

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**	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
The PRC	**2,299,164**	429,237	**3,351**	11,206
Hong Kong	**260,591**	308,788	**1,555**	1,359
Other countries	**–**	3,900	**–**	–
	2,559,755	741,925	**4,906**	12,565

7. OTHER INCOME

The Group entered into an agreement in July 2005 with Xing Yip Industrial Bank Co., Ltd. ("Xing Yip Bank"), Shenzhen Jiangnan Industrial Development Co., Ltd. ("JI") and Shanshui Jianlibao Health Industry Investment Co., Ltd. ("SJHII") by which two bank loans amounting to RMB60,000,000 (approximately HK$56,969,000) and RMB5,000,000 (approximately HK$4,747,000) and the interests thereon due by the Group to Xing Yip Bank were assigned to JI. As such, the Group was released from the obligation to repay the two bank loans and the interests thereon in aggregate of approximately HK$63,343,000. The amount was recognised as other income by the Group in 2005.

8. OTHER OPERATING INCOME

	2006 HK$'000	2005 HK$'000
Dividend income	**15,943**	6,791
Gains on disposal of financial assets at fair value through profit or loss	**1,935**	147
Gain on disposal of property, plant and equipment	**4**	–
Interest income	**2,503**	1,551
Interest income from available-for-sale financial assets	**40**	40
Net unrealised holding gains on financial assets at fair value through profit or loss	**1,908**	315
Rental income	**996**	166
Sundry income	**7,378**	7,540
	30,707	16,550

9. PROFIT FROM OPERATIONS

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

	2006 HK$'000	2005 HK$'000
Auditors' remuneration	**920**	880
Impairment on bad and doubtful debts	**15,529**	1,055
Impairment on loan receivables	**–**	1,887
Amortisation of intangible assets	**768**	882
Amortisation of prepaid lease payments	**302**	315
Depreciation of property, plant and equipment	**8,268**	7,507
Cost of inventories	**963,683**	822,621
Loss on disposal of associates	**–**	606
Loss on disposal of property, plant and equipment	**90**	–
Write-down of inventories	**14,613**	12,506
Rental income from investment properties less direct outgoings	**(644)**	171
Research and development costs	**7,998**	6,368
Directors' emoluments *(note 10)*	**1,619**	1,409
Staff costs (exclude Directors' emoluments):		
Salaries and allowances	**20,992**	15,943
Share option benefits	**125**	–
Retirement scheme contributions	**2,159**	1,409
Total	**23,276**	17,352

10. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the seven (2005: eight) Directors were as follows:

		Other emoluments			
Name of director	**Fees**	**Salaries, allowances and other benefits in kind**	**Retirement scheme contributions**	**Share option benefit**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors					
Zhu Wei Sha	–	600	–	–	600
Chen Fu Rong	–	130	4	–	134
Shi Guang Rong	–	464	12	3	479
Wang An Zhong	–	172	13	5	190
Independent non-executive directors					
Wu Jia Jun	70	–	–	2	72
Zhong Peng Rong	70	–	–	2	72
Shen Yan	70	–	–	2	72
Total for 2006	**210**	**1,366**	**29**	**14**	**1,619**
Executive directors					
Zhu Wei Sha	–	585	–	–	585
Chen Fu Rong	–	131	4	–	135
Shi Guang Rong	–	333	12	–	345
Wang An Zhong	–	131	10	–	141
Independent non-executive directors					
Wu Jia Jun	68	–	–	–	68
Zhong Peng Rong	68	–	–	–	68
Shen Yan	67	–	–	–	67
Ye Lian Ru	–	–	–	–	–
Total for 2005	203	1,180	26	–	1,409

10. DIRECTORS' EMOLUMENTS *(Continued)*

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.

11. EMPLOYEES' EMOLUMENTS

During the year, one Director (2005: one) is included in the five highest paid individuals of the Group. Details of Directors' emoluments are set out in note 10 above. The aggregate emoluments of the remaining four (2005: four) highest paid individuals, who are employees of the Group, are as follows:

	2006	2005
	HK$'000	HK$'000
Basic salaries, allowances and other benefits in kind	**2,357**	2,555
Retirement benefits scheme contributions	**38**	36
Share option benefit	**6**	–
	2,401	2,591

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

12. FINANCE COSTS

	2006	2005
	HK$'000	HK$'000
Interest on loans wholly repayable within five years:		
– Bank loans	**3,939**	7,572
– Other loan	**–**	807
– Loan from a subsidiary's director *(note 40(a))*	**394**	249
– Obligations under finance leases	**49**	–
	4,382	8,628
Interest on bank loans repayable over five years	**328**	150
Total borrowing costs	**4,710**	8,778

13. TAXATION

The taxation charged to the income statement represents:

	2006	2005
	HK$'000	HK$'000
Hong Kong Profits Tax		
– Current year	–	4,271
– Overprovision in prior year	(1,051)	–
The PRC Enterprise Income Tax		
– Current year	2,641	–
	1,590	4,271

No Hong Kong profits tax has been provided for the year as the Group did not have any assessable profit for the year (2005: 17.5%).

PRC enterprise income tax has been provided at the rate of 33% (2005: Nil) on the estimated assessable profit of the subsidiaries in the PRC. Pursuant to the relevant laws and regulations in the PRC, the Group's PRC subsidiaries are exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next consecutive three years, except for a PRC subsidiary, which is exempted from PRC income tax for three years starting from the year it commenced business, followed by a 50% reduction on a tax rate of 15% for the next consecutive three years on the assessable income.

	2006	2005
	HK$'000	HK$'000
Profit before taxation	14,527	79,573
Notional tax on profit before taxation, calculated at rates applicable to profits in the countries concerned	2,983	17,641
Tax effect of non-deductible expenses	11,086	17,409
Tax effect of non-taxable income	(7,623)	(31,110)
Overprovision in respect of prior year	(1,051)	(32)
Tax effect of utilisation of tax loss not previously recognised	1,170	1,334
Effect of tax exemptions granted to PRC subsidiaries	(2,841)	(8,719)
Tax effect of unrecognised tax losses and timing differences	(2,134)	7,668
Others	–	80
Tax expense for the year	1,590	4,271

At 31st December 2006, the Group had the unrecognized deferred tax assets of approximately HK$14,453,000 (2005: HK$16,587,000) in respect of the tax losses and other temporary differences. As it is not probable that taxable profits will be available against which the deductible temporary differences and the unused taxes of the Group can be utilized, deferred tax assets have not been recognized in respect of these losses and other temporary differences. Tax losses are available indefinitely for offsetting future taxable profits of the companies in which the losses arose.

14. DIVIDEND

	2006	2005
	HK$'000	HK$'000
Proposed – final dividend of HK$0.05 (2005: Nil) per share	**20,000**	–

The amount of 2006 proposed final dividend is based on 400,000,000 shares (2005: 400,000,000 shares as at 31st December 2005) in issue as at 21st March 2007. The proposed final dividend for 2006 will not be reflected as dividends payable in the balance sheet until they are approved at the forthcoming annual general meeting by the shareholders of the Company, and they will be recorded as a separate component of the shareholders' fund as at the year ended 31st December 2006.

15. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the parent of approximately HK$17,368,000 (2005: approximately HK$68,320,000) and the weighted average number of ordinary shares in issue during the year of 400,000,000 (2005: 400,000,000).

The calculation of diluted earnings per share is based on the profit attributable to equity holders of the parent of approximately HK$17,368,000, and the weighted average number of shares in issue during the year of 403,275,000 after adjusting for the number of dilutive potential ordinary shares arising from the outstanding share options granted under the Company's share option scheme.

No diluted earning per share has been presented for the year ended 31st December 2005 because the exercise price of the Company's share options was higher than the average market price for shares for 2005.

16. INVESTMENT PROPERTIES

	Group	
	2006	2005
	HK$'000	HK$'000
Fair value		
At 1st January	**21,800**	–
Reclassification from building *(note 17)*	**–**	5,870
Reclassification from prepaid lease payments *(note 18)*	**–**	2,730
Fair value gain	**4,900**	13,200
At 31st December	**26,700**	21,800

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

The investment properties were revalued as at 31st December 2006 on an open market basis by Vigers Appraisal & Consulting Limited, which are independent qualified professional valuers not connected with the Group and have appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

Notes to the Financial Statements

17. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Leasehold improvements	Office equipment, furniture and fixtures	Plant and machinery	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost						
At 1st January 2005						
– as previously reported	109,322	1,410	6,604	19,435	3,335	140,106
– effect of adopting HKAS 17	(15,821)	–	–	–	–	(15,821)
	93,501	1,410	6,604	19,435	3,335	124,285
Exchange adjustments	1,852	15	118	424	68	2,477
Additions	61	2,696	1,279	7,264	63	11,363
Transfer	(10,403)	3,107	245	7,051	–	–
Disposals	–	–	(609)	–	–	(609)
Reclassification to investment properties *(note 16)*	(5,870)	–	–	–	–	(5,870)
At 31st December 2005 and 1st January 2006	79,141	7,228	7,637	34,174	3,466	131,646
Exchange adjustments	2,804	230	227	1,234	122	4,617
Additions	–	1,143	1,312	2,345	106	4,906
Disposals	–	–	(2,019)	(989)	(238)	(3,246)
At 31st December 2006	**81,945**	**8,601**	**7,157**	**36,764**	**3,456**	**137,923**
Accumulated depreciation						
At 1st January 2005						
– as previously reported	1,744	920	3,933	2,152	1,341	10,090
– effect of adopting HKAS 17	(449)	–	–	–	–	(449)
	1,295	920	3,933	2,152	1,341	9,641
Exchange adjustments	25	5	65	46	27	168
Reclassification to investment properties *(note 16)*	–	–	–	–	–	–
Charge for the year	2,540	483	1,137	3,001	346	7,507
Disposals	–	–	(566)	–	–	(566)
At 31st December 2005 and 1st January 2006	3,860	1,408	4,569	5,199	1,714	16,750
Exchange adjustments	192	37	154	265	68	716
Charge for the year	2,575	599	1,317	3,446	331	8,268
Disposals	–	–	(1,967)	(101)	(81)	(2,149)
At 31st December 2006	**6,627**	**2,044**	**4,073**	**8,809**	**2,032**	**23,585**
Net book values						
At 31st December 2006	**75,318**	**6,557**	**3,084**	**27,955**	**1,424**	**114,338**
At 31st December 2005	75,281	5,820	3,068	28,975	1,752	114,896

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

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

The net book value of the Group's plant and machinery of approximately HK$ Nil (2005: HK$4,046,000) is held under finance leases.

18. PREPAID LEASE PAYMENTS

	Group	
	2006	2005
	HK$'000	HK$'000
Net book value		
At 1st January	**12,612**	15,390
Amortisation	**(301)**	(315)
Exchange adjustments	**441**	267
Reclassification to investment properties *(note 16)*	**–**	(2,730)
At 31st December	**12,752**	12,612
Current portion	**(308)**	(297)
Non-current portion	**12,444**	12,315

The prepaid lease payments is held under medium term lease and situated in the PRC.

19. INTANGIBLE ASSETS

Group

	Patents and trademarks HK$'000	Film and musical recording rights HK$'000	Prepaid lease payments HK$'000	Total HK$'000
Cost				
At 1st January 2005				
– as previous reported	6,412	4,453	86	10,951
– effect of adopting HKAS 17	–	–	(86)	(86)
	6,412	4,453	–	10,865
Exchange adjustments	109	94	–	203
Additions	–	1,202	–	1,202
At 31st December 2005 and 1st January 2006	6,521	5,749	–	12,270
Exchange adjustments	187	170	–	357
At 31st December 2006	**6,708**	**5,919**	**–**	**12,627**
Accumulated amortisation				
At 1st January 2005				
– as previous reported	5,608	3,943	68	9,619
– effect of adopting HKAS 17	–	–	(68)	(68)
	5,608	3,943	–	9,551
Exchange adjustments	107	84	–	191
Charge for the year	228	654	–	882
At 31st December 2005 and 1st January 2006	5,943	4,681	–	10,624
Exchange adjustments	188	166	–	354
Charge for the year	204	564	–	768
At 31st December 2006	**6,335**	**5,411**	**–**	**11,746**
Net book value				
At 31st December 2006	**373**	**508**	**–**	**881**
At 31st December 2005	578	1,068	–	1,646

19. INTANGIBLE ASSETS *(Continued)*

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 music of information home appliances.

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

The amortisation expense has been included in the general and administrative expenses in the consolidated income statement.

20. INTERESTS IN SUBSIDIARIES

	Company	
	2006	2005
	HK$'000	HK$'000
Unlisted shares, at cost	**176,000**	176,000
Amounts due from subsidiaries	**427,270**	357,542
	603,270	533,542
Less: impairment loss recognised	**(153,400)**	(153,400)
	449,870	380,142
Amounts due to subsidiaries	**(4,873)**	(4,872)

The amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Directors, the amounts due from subsidiaries 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$153,400,000 (2005: approximately HK$153,400,000) in respect of the Company's interests in subsidiaries and amounts due from subsidiaries was recognised.

Details of subsidiaries which principally affected the results, assets or liabilities of the Group as at 31st December 2006 are set out in note 41.

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2006	2005
	HK$'000	HK$'000
		(Restated)
Unlisted equity securities		
– Equity interest in JI *(Note)*	**2,097,441**	208,594
– Other equity securities	**2,185**	6,366
	2,099,626	214,960

	HK$'000
At 1st January 2006 *(Restated)*	214,960
Exchange differences	7,309
Disposed during the year	(4,100)
Revaluation surplus transferred to equity *(Note)*	1,881,457
At 31st December 2006	**2,099,626**

Note:

Pursuant to an agreement dated 10th August 2004, the Group through its wholly owned subsidiary Beijing Golden Yuxing Electronics and Technology Company Limited ("Golden Yuxing") acquired a 10.435% equity interest in Shenzhen Jiangnan Industrial Development Co., Ltd. ("JI"), a company which holds, among others, certain interest in the shares of Ping An Insurance (Group) Company of China Limited ("Ping An Shares") which was listed in the Shanghai Stock Exchange in the PRC on 1st March 2007, at a consideration of RMB217,000,000 (equivalent to approximately HK$208,594,000) (the "Acquisition") from Shanshui Jianlibao Health Industry Investment Co., Ltd. ("SJHII"), a company in which Mr. Zhu Wei Sha, a director of the Company, had an effective 8.1% equity interest. Mr. Zhu Wei Sha ceased to have any equity interests in SJHII after November 2004. The said consideration was determined with reference to the value of 51,000,000 Ping An Shares held directly by JI and deemed to be acquired by Golden Yuxing through its acquisition of the 10.435% equity interest in JI.

The purpose of the Acquisition was to enable the Group to acquire economic benefits in respect of 51,000,000 Ping An Shares through the share management agreement entered into amongst Golden Yuxing, JI and other shareholders of JI at the time specifically to receive dividends attributable to the 51,000,000 Ping An Shares and to enable the Group to use such shares as security to support its own borrowings. Subsequently, the Group came to know about certain deficiencies in the share management agreement to give effect to the requirement of Golden Yuxing to acquire such economic benefits relating to the investment in the 51,000,000 Ping An Shares held by JI, which gives rise to uncertainties over enforceability of the agreement under the PRC laws.

The above transaction constituted a very substantial acquisition under the GEM Listing Rules which required shareholders' prior approval before the acquisition was completed. The acquisition referred to above transaction was completed without the prior approval of the Company's shareholders and, as such, the Company breached the GEM Listing Rules. The Company made announcement and the circular to rectify the Acquisition on 8th December 2006 and 5th February 2007 respectively, details refer to the relevant announcement and the circular. On 1st March 2007, the Acquisition was approved in the special general meeting of the shareholders of the Company.

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

Note: (Continued)

During the year, Golden Yuxing further acquired the 15.175% and 11.05% equity interest in JI for the consideration of RMBNil and RMB1 respectively and held the total 36.66% equity interest in JI. In the opinion of the Company's directors, Golden Yuxing has no significant influence over JI as the other 63.34% equity interest is controlled by one shareholder, who also manages all significant and day-to-day operations of JI.

As at 31st December 2006, the equity interest in JI held by the Group was revalued by Vigers Appraisal & Consulting Limited, independent qualified professional valuers not connected with the Group, of approximately RMB2,107,299,000 (equivalent to approximately of HK$2,097,441,000). The valuation was arrived at by reference to the unaudited management accounts of JI as at 31st December 2006 and adjusted by the estimated market value of its Ping An Shares. The Group recorded a revaluation surplus on the interests in JI of approximately of RMB1,890,299,000 (equivalent to approximately of HK$1,881,457,000) as at 31st December 2006. No audited financial statements and the detailed financial information of JI for the year ended and as at 31st December 2006 have been obtained by the Group as the Group has no significant influence over JI.

In April 2005, although no notification had been served on the Group by the PRC authority, the Company directors were informed by JI that the Foshan Police Bureau had requested the Shenzhen Industrial and Commercial Administration Bureau to refuse the transfer, pledge or sale of the 10.435% equity interest in JI held by Golden Yuxing. The Company was not informed of any restriction on the disposition of the 51,000,000 Ping An Shares held by JI. In 2006, the 18,000,000 Ping An Shares of JI were pledged to a bank in the PRC for the banking facilities granted to Sheng Ban Ziang Dian Electronics (Shenshen) Co., Ltd., an indirect wholly owned subsidiary of the Company (note 34(d)). The Company directors have not been informed by the PRC authorities about this moratorium or any further development about the moratorium up to the date of audit report issue, as further detailed in the Company's announcement and circular on 8th December 2006 and 5th February 2007 respectively.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2006	2005
	HK$'000	HK$'000
		(Restated)
Held-for-trading investment:		
Listed equity securities in Hong Kong	**6,653**	3,311

23. INTERESTS IN ASSOCIATE

	Group 2006 HK$'000	2005 HK$'000
Share of net assets	**–**	–

Details of the Group's associate at 31st December 2005 are as follows:

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

The associate was in the progress of liquidation and the Company directors are of the opinion that the associate did not have any future economic benefit and a full impairment loss of approximately HK$606,000 was provided for the year ended 31st December 2005. The impairment loss was included in the consolidated income statement.

24. INVENTORIES

	Group 2006 HK$'000	2005 HK$'000
Merchandise	**83,290**	43,189
Raw materials	**4,543**	14,279
Work-in-progress	**606**	2,545
Finished goods	**17,380**	12,454
	105,819	72,467

25. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables *(Note)*	**73,397**	125,227	**–**	–
Bills receivables	**–**	1,313	**–**	–
Prepayments, deposits and other receivables	**24,694**	38,248	**407**	279
	98,091	164,788	**407**	279

Note:

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

	Group	
	2006	2005
	HK$'000	HK$'000
0-30 days	**53,238**	62,073
31-60 days	**14,861**	48,681
61-90 days	**631**	5,444
over 90 days	**25,049**	14,012
	93,779	130,210
Less: Impairment on bad and doubtful debts	**(20,382)**	(4,983)
	73,397	125,227

26. LOANS AND INTEREST RECEIVABLES

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Loans and other receivables	**–**	46,916	**–**	46,916
Impairment	**–**	(46,916)	**–**	(46,916)
	–	–	**–**	–

The loans have been advanced to a third party, which are secured by shares in a company held by a third party, bear interest at 12% per annum. The loans were expired on 31st December 2005, no amounts were recovered by the Group. Therefore, full impairment was made as at 31st December 2005.

27. TRADE AND OTHER PAYABLES

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables *(Note)*	**153,958**	179,447	**–**	–
Other payables	**21,437**	40,261	**–**	–
Accruals	**8,711**	9,397	**2,301**	1,152
Amount due to a subsidiary's director *(note 40(a))*	**10,000**	10,000	**–**	–
	194,106	239,105	**2,301**	1,152

Note:

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

	Group	
	2006	2005
	HK$'000	HK$'000
0-30 days	**85,124**	102,257
31-60 days	**56,416**	61,504
61-90 days	**2,462**	3,341
over 90 days	**9,956**	12,345
	153,958	179,447

28. OBLIGATION UNDER FINANCE LEASE

Gorup

	Minimum lease payments		Present value of minimum lease	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases:				
Within one year	**–**	1,578	**–**	1,471
In the second to fifth years inclusive	**–**	932	**–**	912
	–	2,510	**–**	2,383
Less: future finance charges	**–**	(127)		
Present value of lease obligations	**–**	2,383		
Less: current portion			**–**	(1,471)
Non-current portion			**–**	912

28. OBLIGATION UNDER FINANCE LEASE *(Continued)*

The average lease term is three years. The effective borrowing rate was 6.25% for the year ended 31st December 2005. Interest rates were fixed at the contract date. All leases were on a fixed repayment basis and no arrangement had been entered into for contingent rental payments.

29. BANK LOANS

Bank loans comprises:

	Group	
	2006	2005
	HK$'000	HK$'000
Secured	**45,331**	82,596
On demand or within one year	**40,003**	77,080
Between one and two years	**200**	190
Between two and five years	**675**	637
Over five years	**4,453**	4,689
	45,331	82,596
Less: current portion	**(40,003)**	(77,080)
Non-current portion	**5,328**	5,516

As at 31st December 2006, the bank loans were charged at fixed interest rates ranging from 5.7%-7.0% (2005:5.7%-5.8%) per annum. The bank loans were secured by the assets of the Group as disclosed in note 34.

30. SHARE CAPITAL

	Number of ordinary share of HK$0.10 each 2006 and 2005	**Nominal value 2006 and 2005**
		HK$'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

31. 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.

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.

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. At 31st December 2006, no options had been granted and remained outstanding under the Previous Scheme.

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;

31. SHARE OPTION SCHEME *(Continued)*

Existing Scheme *(Continued)*

(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.

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 Limit") 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 this annual 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.

31. SHARE OPTION SCHEME *(Continued)*

Existing Scheme *(Continued)*

At 31st December 2006, the total number of shares in respect of which share options had been granted and remained outstanding under the Existing Scheme was 26,200,000 representing 6.55% of the shares of the Company in issue at that date.

(a) Movements in share options

	Number of options			
	Previous Scheme		Existing Scheme	
	2006	2005	**2006**	2005
At 1st January	**5,090,000**	17,200,000	**–**	–
Issued during the year	**–**	–	**26,200,000**	–
Cancelled/lapsed during the year	**(5,090,000)**	(12,110,000)	**–**	–
At 31st December	**–**	5,090,000	**26,200,000**	–
Options vested at 31st December	**–**	–	**26,200,000**	–

(b) Terms of unexpired and unexercised share options at balance sheet date:

Date of grant	Exercise period	Exercise price	Number of options	
		HK$	**2006**	2005
Existing Scheme				
26th December 2006	26th December 2006 – 17th May 2013	1.19	**26,200,000**	–
Previous Scheme				
9th February 2001	9th February 2002 – 8th February 2006	0.83	**–**	3,110,000
11th April 2001	11th April 2002 – 10th April 2006	0.75	**–**	1,980,000
			–	5,090,000

31. SHARE OPTION SCHEME *(Continued)*

Existing Scheme *(Continued)*

(c) Details of the movement of share options granted during the years ended 31st December 2006 and 2005 to subscribe for the shares in the Company are as follows:

For the year ended 31 December 2006

	Date of grant	Exercisable period	Exercise price HK$	At 1st January 2006	Exercised during the year	Granted during the year	Cancelled/ lapsed during the year	At 31st December 2006
Existing Scheme								
Directors								
– Mr. Wang An Zhong	26th December 2006	26th December 2006 – 17th May 2013	1.19	–	–	1,000,000	–	1,000,000
– Mr. Shi Guang Rong	26th December 2006	26th December 2006 – 17th May 2013	1.19	–	–	500,000	–	500,000
– Mr. Wu Jia Jun	26th December 2006	26th December 2006 – 17th May 2013	1.19	–	–	400,000	–	400,000
– Mr. Zhong Peng Rong	26th December 2006	26th December 2006 – 17th May 2013	1.19	–	–	400,000	–	400,000
– Mr. Shen Yan	26th December 2006	26th December 2006 – 17th May 2013	1.19	–	–	400,000	–	400,000
Continuous contract employees	26th December 2006	26th December 2006 – 17th May 2013	1.19	–	–	23,500,000	–	23,500,000
				–	–	26,200,000	–	26,200,000
Exercisable at 31st December 2006								26,200,000
Previous Scheme								
Continuous contract employees	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				5,090,000	–	–	(5,090,000)	–
Exercisable at 31st December 2006								–

31. SHARE OPTION SCHEME *(Continued)*

Existing Scheme *(Continued)*

(c) *(Continued)*

For the year ended 31 December 2005

	Date of grant	Exercisable period	Exercise price HK$	At 1st January 2005	Exercised during the year	Granted during the year	Cancelled/ lapsed during the year	At 31st December 2005
Existing Scheme	–	–	–	–	–	–	–	–
Previous Scheme								
Directors								
– 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	–	–	(12,110,000)	5,090,000
Exercisable at 31st December 2005								5,090,000

(d) The fair value of the options granted on 26 December 2006 is approximately HK$139,000. The fair value of options granted is estimated on the date of the grant using the Binomial model with the following parameters:

Exercise price	HK$1.19
5 years and 7 years Exchange Fund Notes, risk-free rate interest	3.71%
Volatility	80%
Expected dividend yield	2%
Expected life	2.8 years to 5.6 years

32. RESERVES

Group

	Share premium HK$'000	Statutory reserves HK$'000 (Note)	Investment revaluation reserves HK$'000	Share option reserves HK$'000	Translation reserves HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st January 2005	381,713	11,767	–	–	732	(111,866)	282,346
Realised on disposal of a subsidiary	–	–	–	–	–	(49)	(49)
Transfer	–	5,107	–	–	(160)	(4,947)	–
Exchange adjustments	–	–	–	–	5,123	–	5,123
Profit for the year	–	–	–	–	–	68,320	68,320
At 31st December 2005 and at 1st January 2006	381,713	16,874	–	–	5,695	(48,542)	355,740
Equity-settled share based payment	–	–	–	139	–	–	139
Available-for-sale financial assets	–	–	1,881,457	–	–	–	1,881,457
Transfer	–	3,316	–	–	–	(3,316)	–
Exchange adjustments	–	–	–	–	10,119	–	10,119
Profit for the year	–	–	–	–	–	17,368	17,368
At 31st December 2006	**381,713**	**20,190**	**1,881,457**	**139**	**15,814**	**(34,490)**	**2,264,823**

Note: Statutory reserves comprise statutory surplus reserve fund and statutory public welfare fund of the subsidiaries in the PRC and form part of shareholders' fund. According to the Articles of Association of certain subsidiaries, the subsidiaries are required to transfer 10% of the profit after tax to the statutory surplus reserve fund until the fund balance reaches 50% of the registered capital and to transfer 5% to 10% of the profit after tax to the statutory public welfare fund. The transfer to the funds must be made before distributing dividends to shareholders. From 1st January 2006, according to the revised PRC Company Law, the PRC subsidiaries are not required to make such transfer. The unutilized statutory public welfare fund was transferred to statutory reserve fund.

32. RESERVES *(Continued)*

Company

	Share premium HK$'000	Contributed surplus HK$'000	Share option reserves HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st January 2005	381,713	146,000	–	(187,083)	340,630
Loss for the year	–	–	–	(4,846)	(4,846)
At 31st December 2005 and at 1st January 2006	381,713	146,000	–	(191,929)	335,784
Equity-settled share based payment	–	–	139	–	139
Profit for the year	–	–	–	68,104	68,104
At 31st December 2006	**381,713**	**146,000**	**139**	**(123,825)**	**404,027**

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.

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 2006, the total contributed surplus and accumulated losses of approximately HK$22,175,000 (2005: negative balance of approximately HK$45,929,000) is available for distribution to equity holders of the parent, which include the proposed final dividends as at 31st December 2006 of HK20,000,000 (2005: Nil) and the balance of the distributable reserve after proposed final dividend of HK$2,175,000 (2005: negative balance of approximately HK$45,929,000).

33. DISPOSAL OF A SUBSIDIARY

	2006 HK$'000	2005 HK$'000
Net assets disposed of:		
Property, plant and equipment	–	25
Inventories	–	220
Trade and other receivables	–	712
Bank balances and cash	–	640
Trade and other payables	–	(78)
Taxation payable	–	(64)
Net assets	–	1,455
Less: minority interests	–	(582)
	–	873
Gain on disposal of a subsidiary	–	27
Total consideration	–	900
Satisfied by:		
Cash consideration received *(note 40(b))*	–	900
Analysis of the net inflow of cash and cash equivalents in connection with the disposal of a subsidiary.		
Cash consideration received *(note 40(b))*	–	900
Bank balances and cash disposed of	–	(640)
Net inflow of cash and cash equivalents	–	260

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

34. PLEDGED OF ASSETS

At 31st December 2006, the following assets were pledged to secure banking facilities granted to the Group:

(a) Investment properties of the Group with carrying value of HK$26,700,000 (2005: HK$21,800,000);

(b) Prepaid lease payments and buildings of the Group with carrying value of HK$7,385,000 (2005: HK$7,304,000) and HK$49,305,000 (2005: HK$49,228,000) respectively;

(c) Available-for-sales financial assets of the Group at HK$Nil (2005: HK$5,900,000);

(d) Indirect investment of 18 million Ping An Shares held by JI *(note 21)*;

(e) Financial assets at fair value through profit or loss of the Group with carrying value of HK$4,173,000 (2005: HK$3,311,000);

(f) Trade receivables of the Group at HK$Nil (2005: HK$30,994,000); and

(g) Bank deposits of the Group at HK$Nil (2005: HK$35,225,000).

35. OPERATING LEASE COMMITMENTS

(a) The Group as lessee

At 31st December 2006, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Within one year	**2,758**	2,364
In the second to fifth year inclusive	**2,180**	817
Over five years	**–**	–
	4,938	3,181

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

35. OPERATING LEASE COMMITMENTS *(Continued)*

(b) The Group as lessor

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	Group	
	2006	2005
	HK$'000	HK$'000
Within one year	**996**	996
In the second to fifth year inclusive	**581**	1,577
Over five years	**–**	–
	1,577	2,573

(c) The Company did not have operating lease commitments as at 31st December 2006 and 2005.

36. CAPITAL COMMITMENTS

	Group	
	2006	2005
	HK$'000	HK$'000
Capital expenditure in respect of the acquisition of intangible assets contracted for but not provided in the financial statements	**155**	240

The Company did not have capital commitments as at 31st December 2006 and 2005.

37. CONTINGENT LIABILITIES

(a) At 31st December 2005, the Company had given guarantees to banks in respect of bank facilities granted to certain subsidiaries of approximately HK$12,903,000.

(b) At 31st December 2005, a subsidiary had given guarantees in respect of bank facilities granted to itself and to another subsidiary of approximately HK$38,639,000.

(c) A subsidiary had given guarantees to a bank in respect of a loan granted to an unrelated third party. As at 31st December 2005, though a provision has been made in respect of the principal, the remained outstanding interest of approximately HK$1,122,000 was not provided.

The Group and the Company did not have contingent liabilities as at 31st December 2006.

38. RETIREMENT BENEFITS 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 benefits scheme operated by the government of the PRC. The subsidiaries are required to contribute certain percentage of their payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

The total cost charged to income statements of approximately HK$2,188,000 (2005: approximately HK$1,435,000) represents contribution payable to these schemes by the Group in respect of the current year.

39. POST BALANCE SHEET EVENT

On 15th November 2006, First I-Tech Limited ("First I-Tech"), a wholly owned subsidiary of the Company, entered into a conditional sale and purchase agreement (the "Agreement") with S.A.S. Investment Company Limited ("SAS"), an independent third party, pursuant to which First I-Tech agreed to dispose of the 51% shareholding of Hi-Level Technology Limited ("Hi-Level") and its subsidiaries Video Innovation Tech Limited and Shenzhen Yangyu Technology Development Co., Ltd ("Hi-Level Group") for a consideration of HK$30,000,000 (the "Disposal"). The completion of the Agreement was conditional upon, among others, the approval of the Disposal by the shareholders of the Company and the shareholder of the holding company of SAS and the Stock Exchange. The above transaction was detailed in the Company's circular dated 30th December 2006. On 2nd January 2007. First I-Tech transferred the shares of Hi-level Group to SAS for completion on the Disposal. Accordingly, the Group recorded a gain on the Disposal of approximately HK$13.9 million.

40. RELATED PARTY TRANSACTIONS

During the year, the Group had the significant transactions with related parties as follows:

(a) On 19th May 2005, Hi-Level, an indirect subsidiary of the Company, entered into a loan agreement with Mr. Chang Wei Hua (the "Lender"), the director and shareholder of Hi-Level, pursuant to which the Lender advanced a loan of HK$10,000,000 to Hi-Level (note 27). The loan is unsecured and charged at interest rate of 4% per annum. The loan had been expired on 18th May 2006 and became repayable on demand. The loan was repaid in full in January 2007. The loan interest was paid by the Group during the year was approximately HK$394,000 (2005: HK$249,000) (note 12).

(b) On 15th July, 2005, Yuxing Electronics Company Limited ("Yuxing Electronics"), a wholly owned subsidiary of the Company, entered into an agreement with the financial controller of Sheng Bang Qiang Dian Electronics (Shenzhen) Co., Ltd., an indirect wholly owned subsidiary of the Company, pursuant to which Yuxing Electronics agreed to dispose of the 60% shareholding of its subsidiary Yuxing Electrical & Lighting Limited for a consideration of HK$900,000 (note 33).

40. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Key management compensation

	2006	2005
	HK$'000	HK$'000
Salaries and other allowances	**3,932**	3,938
Retirement scheme contributions	**68**	62
Share option benefit	**20**	–
	4,020	4,000

41. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st December 2006 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	Republic of Mauritius ("Mauritius")/limited liability company	Investment holding/ Hong Kong ("HK")	1 ordinary share of US$1	100%
Yuxing Electronics	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%
Fozhan Zhixing Technology Co. Limited	The PRC/Foreign wholly owned enterprise	Research and development of broadband communication/the PRC	RMB53,512,424	100%

41. 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)*				
Golden Yuxing	The PRC/Sino-foreign co-operative joint venture	Research and development, design, marketing, distribution and sales of information appliances/ the PRC	US$4,582,000	100%
Hi-Level	Hong Kong/limited liability company	Trading and distribution of integrated circuits/HK	25,000,000 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%
Sheng Bang Qiang Dian Electronics (Zhong Shan) Limited	The PRC/Foreign wholly owned enterprise	Manufacturing, distribution and sales of information home appliances and electronic components/ the PRC	RMB68,000,000	100%
Video Innovation Tech 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 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%

The above table contains only the particulars of subsidiaries of the Group which principally affected the results, assets or liabilities of the Group. To give details of other subsidiaries would 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.