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 2008

*for identification purposes only

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

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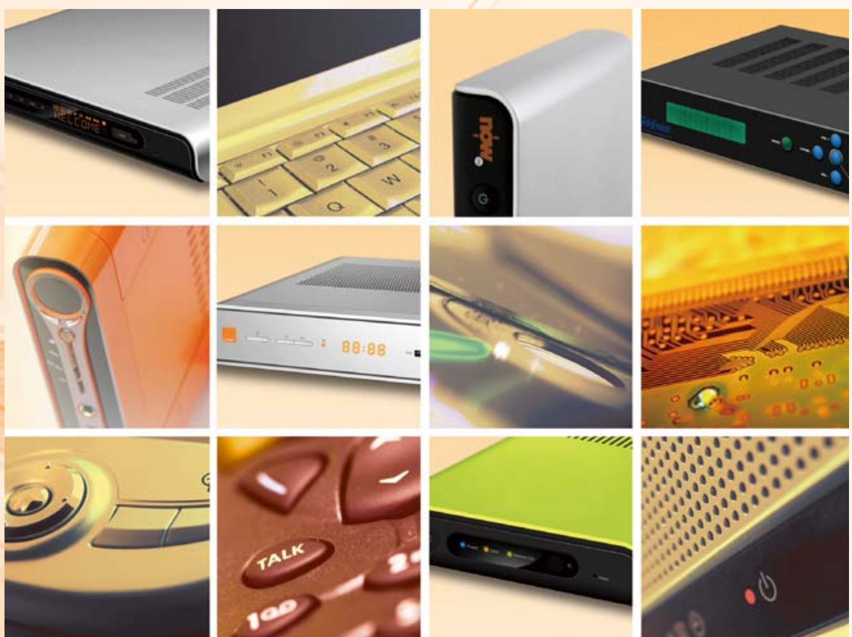
Corporate Profile

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 and Macau) (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 (major in set-top boxes) through a network of partnerships and distributors in the PRC, Hong Kong and overseas.

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 Hong Kong and 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 SECRETARY

Liu Wei, Solicitor

QUALIFIED ACCOUNTANT

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

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

AUDITOR

Mazars CPA Limited
Certified Public Accountants

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
Bank of Communications Company Limited
Shanghai Commercial Bank Limited

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

WEBSITE ADDRESS

www.yuxing.com.cn

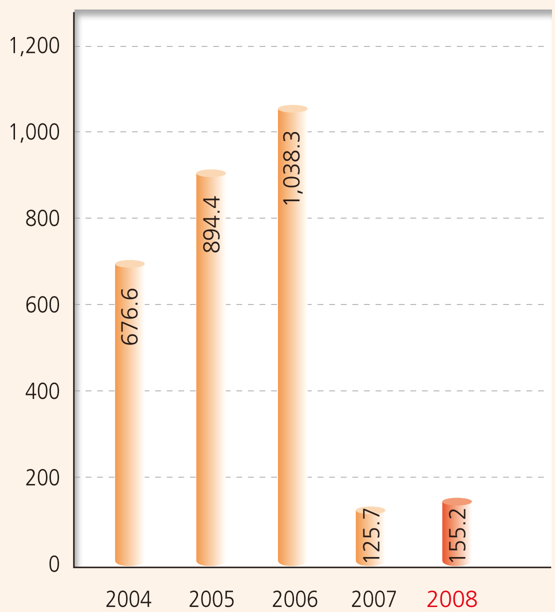
Financial Highlights and Calendar

FINANCIAL HIGHLIGHTS

	2008 HK$'000	2007 HK$'000
Revenue		
Turnover	**155,167**	125,730
Profitability		
(Loss)/Profit from operations	**(35,006)**	12,459
(Loss)/Profit for the year	**(36,577)**	22,513
Net worth		
Total equity attributable to equity holders of the Company	**1,356,914**	4,196,303
Per share		
(Loss)/Earning per share attributable to equity holders of the Company – Basic	**(2.25) cents**	1.40 cents
Net assets per share	**0.83 dollar**	2.59 dollars

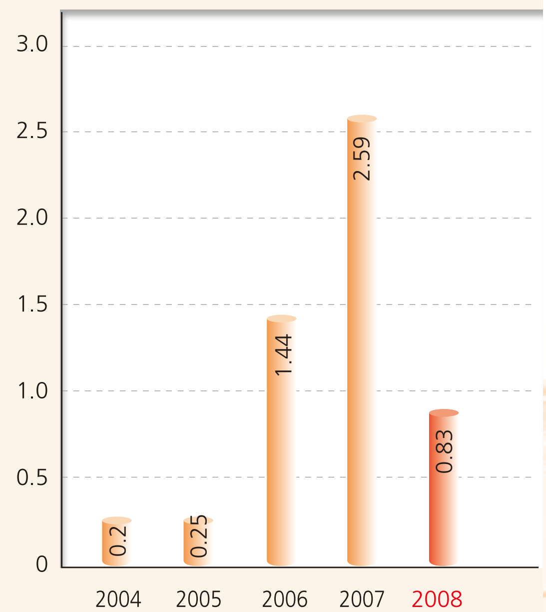
TURNOVER

HK$ million



NET ASSETS PER SHARE

HK$



FINANCIAL CALENDAR

Results for the year	Announcement on 23rd March 2009
Annual report	Despatched to shareholders in late March 2009
Annual general meeting	22nd May 2009

Chairman's Statement

With the passing of the Olympic year and the arrival of the year of Ox, I would like to express on behalf of the board of directors and the management team of the Company our best New Year wishes to all our shareholders for their continuous interest in and support of the Company over the past years.

The Company faced yet another challenge in 2008 when it was engaged in litigations to safeguard the Company's major investment. In these legal proceedings, we thank our fellow directors, shareholders, clients, suppliers and business partners, who firmly believe in truth and the justice of the law, for their full confidence in us and support. Our business has managed to grow continuously and steadily as all members of the Company are united by one heart and one soul to overcome difficulties.

2008 was a year of harvest. The trust and experience we gained will remain as precious assets for the sustainable development of the Company in the future. The Company, expanding through arduous work, has now grown into a seasoned and solid entity. As members of the team, we are confident in its bright future.

2008 was also a year of accumulation. To cater for the needs of its global business development, the Company conducted an internal business restructuring and strengthened its staff training programs, with a view to providing a more favourable growth environment for its core businesses – information appliances and paving the way for new businesses which may be launched in the future. Market expansion for our information appliances division recorded remarkable results in Europe and the PRC in addition to Hong Kong, laying a solid foundation for the continued development of the Company's businesses.

Chairman's Statement

The performance of the Company had been affected by the global financial crisis and economic recession in 2008. We believe that we will still be facing some material adverse conditions and challenges throughout 2009. However, with the experience accumulated and resources invested in the market over the past years, and with the stimulation brought about by domestic macroeconomic control policies, we believe the loss in income resulted from the global economic decline could be compensated. We hope we can see a winter that is not too chilly. Amidst the financial crisis, we will hold on to any opportunity which may be arising and prepare ourselves to tackle the challenges proactively.

A new year symbolize a new start as well as an even greater challenge. While devotion and sweat had built the past success, rationality and confidence will shape our future.

Zhu Wei Sha
Chairman

Hong Kong, 23rd March 2009

Group Financial Summary

CONSOLIDATED RESULTS

For the year ended 31st December

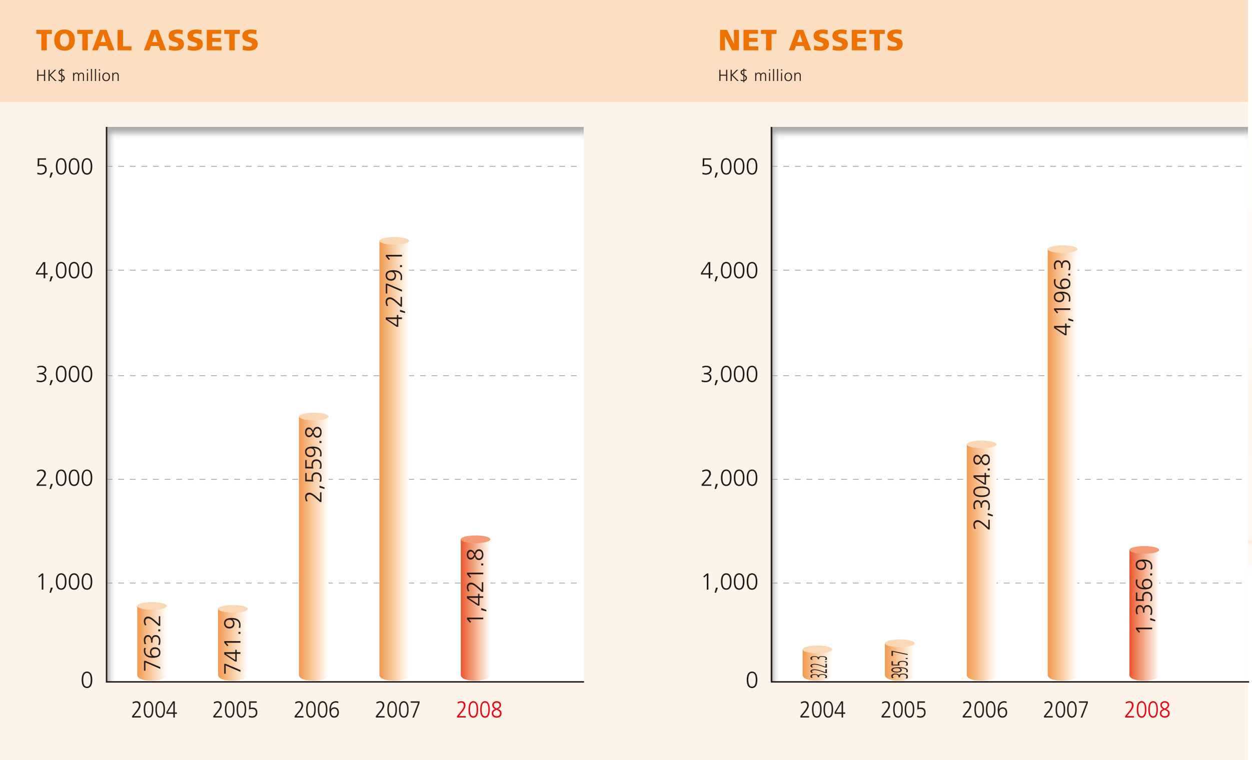
	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000	2004 HK$'000
Turnover	**155,167**	125,730	1,038,300	894,393	676,568
(Loss)/Profit before taxation	**(36,577)**	23,239	14,527	79,573	(133,330)
Taxation	**–**	(726)	(1,590)	(4,271)	(2,030)
(Loss)/Profit for the year	**(36,577)**	22,513	12,937	75,302	(135,360)
Minority interests	**–**	–	4,431	(6,982)	(4,435)
(Loss)/Profit for the year attributable to equity holders of the Company	**(36,577)**	22,513	17,368	68,320	(139,795)

CONSOLIDATED ASSETS AND LIABILITIES

As at 31st December

	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000	2004 HK$'000
Total assets	**1,421,831**	4,279,107	2,559,755	741,925	763,229
Total liabilities	**(64,917)**	(82,804)	(239,437)	(326,259)	(427,357)
Minority interests	**–**	–	(15,495)	(19,926)	(13,526)
Total equity attributable to equity holders of the Company	**1,356,914**	4,196,303	2,304,823	395,740	322,346

Group Financial Summary



Management Discussion and Analysis

FINANCIAL REVIEW

Turnover and Gross Profit

During the year under review, turnover of the Group has increased to approximately HK$155.2 million for the year ended 31st December 2008, representing an increase of 23.4% as compared to last year. This increase in the overall turnover was contributed by the Group's newly launched product, the DTMB + IP dual mode HD set-top boxes, and the expansion of the Group's Information Appliances ("IA") division into European and the PRC markets. As a result, the gross profit of the Group in 2008 increased by 7.6% to approximately HK$32.5 million as compared to last year. However, due to a deterioration of the general business environment as a result of the financial crisis which began in the end of the third quarter of 2008, the Group's core business, IA division, recorded a significant loss in the fourth quarter of 2008 which reduced the Group's unaudited profit result of this division for the nine months ended 30th September 2008. Meanwhile, the Group made an impairment loss of approximately HK$6.1 million on part of the assets in the Information Home Appliances ("IHA") segment. Hence, the Group recorded weaker-than-expected operating performance of IHA segment during the year.

Operating Results

Other Revenue and Net Income

Although the Group's indirect investment in 51,000,000 A shares of Ping An Insurance (Group) Company of China Limited ("Ping An Insurance") has contributed significant gains to the Group for the year ended 31st December 2008 with total dividend income of approximately HK$40.0 million (2007: approximately HK$22.0 million), other revenue and net income decreased to approximately HK$49.9 million for the year ended 31st December 2008 (2007: approximately HK$55.8 million). This was mainly due to the adverse capital market conditions in 2008 and therefore there was no realised and unrealised gains on certain financial assets recorded by the Group during the year under review (2007: realised and unrealised gains on certain financial assets totalling of approximately HK$13.3 million).

Operating Expenses

As the Group expanded its IA division into the European and PRC markets and launched its new products, the Group enjoyed an increase in its overall turnover in 2008. As a result, the Group's overall selling expenses increased by 89.1% to approximately HK$9.2 million as compared to last year. Meanwhile, due to the legal and professional expenses of totalling approximately HK$15.7 million incurred by the Group in Hong Kong and the PRC in 2008, the general and administrative expenses increased by 21.9% to approximately HK$84.5 million as compared with 2007. The increase in operating expenses during the year under review, in addition to the above factors, was also due to the decline in the prices of the property market by the end of 2008 which led the Group to record a substantial amount of loss of HK$5.3 million in the Group's properties revaluation in 2008 (2007: gains on revaluation of HK$2.9 million).

Other Operating Expenses

Other operating expenses increased to approximately HK$12.2 million for the year ended 31st December 2008 (2007: approximately HK$2.2 million). This was mainly due to the poor performance of the capital markets in the PRC and Hong Kong in 2008 and hence the booking of realized and unrealized losses on certain financial assets totalling of approximately HK$11.2 million by the Group during the year under review (2007: HK$Nil).

Finance Costs

As the Group has repaid certain of its bank borrowings during the year under review, finance costs decreased to approximately HK$1.6 million (2007: approximately HK$3.1 million).

Management Discussion and Analysis

FINANCIAL REVIEW *(Continued)*

Operating Results *(Continued)*

Loss for the Year

The Group recorded a one-time gain of approximately HK$13.9 million on the disposal of its subsidiaries in 2007, which was the major contributor of the Group's profit in 2007. However, during the year under review, there was no gain on the disposal of subsidiaries recorded by the Group. This, coupled with the other factors mentioned above, had led the Group to record a significant loss attributable to equity holders of the Company of approximately HK$36.6 million for the year ended 31st December 2008 (2007: a profit attributable to equity holders of the Company of approximately HK$22.5 million).

Liquidity, Charge on Group Assets and Financial Resources

As at 31st December 2008, the Group had net current assets of approximately HK$95.2 million. The Group had cash and bank balances of approximately HK$59.5 million. The Group's financial resources were funded mainly by its shareholders' funds except for certain long-term mortgage loans totalling approximately HK$14.4 million. As at 31st December 2008, the Group's current ratio was 2.8 times and the gearing ratio, as measured by total liabilities divided by total equity, was 4.8%. Overall, as at 31st December 2008, the financial and liquidity positions of the Group remain at a stable and healthy level.

Capital Structure

The shares of the Company were listed on the GEM on 31st January 2000. The changes in the capital structure of the Company are set out in note 28 to the financial statements.

Significant Investments/Material Acquisitions and Disposals

For the year ended 31st December 2008, the Group had no significant investment and no material acquisition or disposal.

For the year ended 31st December 2007, the Group had successfully completed the disposal of the Integrated Circuits subsidiaries for a consideration of HK$30 million, resulting in a gain of approximately HK$13.9 million.

Segment Information

The Group's star business segment is the IHA. The total turnover of the IA division in this segment increased by 31.0% to approximately HK$140.5 million as compared to last year. This increase in the turnover was contributed by the Group's newly launched product – the DTMB+IP dual mode HD set-top boxes which was well received by the market during the year under review. Meanwhile, the successful expansion of IA division into European and the PRC markets during the year under review also led to the improvement in the turnover of IA division. However, due to a deterioration of the general business environment as a result of the financial crisis which began in the end of the third quarter of 2008, the Group's IA division recorded a substantial decrease in the turnover and loss in the fourth quarter of 2008 which significantly reduced the unaudited profit result of this division for the nine months ended 30th September 2008. Meanwhile, the Group also made an impairment loss of approximately HK$6.1 million on part of the assets in the IHA segment. Hence, the Group recorded a loss of approximately HK$9.7 million on the IHA segment for the year ended 31st December 2008 (2007: a profit of approximately HK$9.3 million). In respect of the Group's other business segment, because of the lack of new breakthrough in recent years together with the negative impacts brought by the financial crisis, these businesses caused the Group to record a loss of approximately HK$8.7 million for the year ended 31st December 2008 (2007: approximately HK$12.9 million).

Management Discussion and Analysis

FINANCIAL REVIEW *(Continued)*

Segment Information *(Continued)*

Geographical markets of the Group were mainly located in Hong Kong during the year under review. The turnover generated from Hong Kong market increased by 11.7% to approximately HK$90.9 million as compared to last year. This increase was mainly attributable to the newly launched product in Hong Kong. At the same time, due to the expansion of the Group's IA business into European and the PRC markets during the year under review, the turnover generated from the overseas and the PRC markets also increased by 17.6% and 69.7% to approximately HK$24.9 million and HK$39.4 million respectively as compared to last year.

Exposure to Fluctuations in Exchange Rates

Most of the trading transactions of the Group were denominated in United States dollars and in Renminbi. The assets of the Group were mainly denominated in Renminbi and the remaining portions were denominated in Hong Kong dollars. The official rates for United States dollars, Hong Kong dollars and Renminbi have been stable for the year under review. No hedging or other alternative measures have been implemented by the Group. As at 31st December 2008, the Group had no significant exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

Contingent Liabilities

In December 2007, there was a pending litigation in which a customer claimed against Sheng Bang Qiang Dian Electronics (Shenzhen) Co., Ltd ("Shenzhen Sheng Bang"), a wholly-owned subsidiary of the Group, in the People's Court of Shenzhen Nanshan Region for approximately HK$3.4 million (equivalent to RMB3.0 million) for loss alleged to have been suffered as a result of quality problems of products supplied by Shenzhen Sheng Bang. As at the date of this report, to the best estimation of the Directors, the outcomes of this litigation and claim would not have a material adverse effect on the Group and no provision had been made in the consolidated financial statements.

In December 2008, Guangdong Jianlibao Group Company Limited ("JLB Group") initialled proceedings against (1) Mr. Zhang Hai, former chairman and chief executive officer of JLB Group, and the controlling shareholders, actual controller, directors, supervisors, senior management of Foshan Zhixing Technology Co., Limited ("Foshan Zhixing") for infringing the interest of JLB Group; (2) Mr. Zhang Hai and the controlling shareholders, actual controller, directors, supervisors, senior management of Shenzhen Sheng Bang for infringing the interest of JLB Group; and (3) Mr. Zhang Hai and the controlling shareholders, actual controller, directors, supervisors, senior management of Beijing Golden Yuxing Electronics and Technology Company Limited ("Golden Yuxing") for infringing the interest of JLB Group (collectively the "Actions"). Foshan Zhixing, Shenzhen Sheng Bang and Golden Yuxing are wholly-owned subsidiaries of the Group.

The People's Court of San Shui District, Foshan City, Guangdong Province (the "Court of San Shui") issued judgments ((2009) San Fa Min Er Chu Zi No. 38-1), ((2009) San Fa Min Er Chu Zi No. 39-1) and ((2009) San Fa Min Er Chu Zi No. 40-1) and summons dated 9th December 2008, which stated that, on application by JLB Group, the Court of San Shui made orders of (1) freezing the bank deposits of Mr. Zhang Hai and Foshan Zhixing total amounting to RMB10,100,000 or sealing up and distraining its assets of such equivalent amount; (2) freezing the bank deposits of Mr. Zhang Hai and Shenzhen Sheng Bang total amounting to RMB40,620,000 or sealing up and distraining its assets of such equivalent amount; and (3) freezing the bank deposits of Mr. Zhang Hai and Golden Yuxing total amounting up to RMB46,000,000 or sealing up and distraining its assets of an equivalent amount, together with a standby moratorium dated 13th January 2009 referring to Golden Yuxing's 36.66% equity interest in Shenzhen Jiangnan Industrial Development Co., Ltd. ("JI") from the Court of San Shui.

As at 31st December 2008, certain cash and bank balances of the Group with carrying value of approximately HK$914,000 (equivalent to RMB806,000) were frozen by the Court of San Shui.

As at the date of this report, no trial or judgement for the Actions has been received from the Court of San Shui yet. The Directors have sought legal advice from its PRC lawyers and are of the view that the Actions are based on unsubstantiated and invalid grounds and the imposition of standby moratorium to Golden Yuxing's 36.66% equity interest in JI is beyond the level of jurisdiction to be exercised by the Court of San Shui and thus contradicts the PRC law. The Directors do not believe the Actions will have any significant impact on the financial position of the Group and no provision is considered necessary.

Management Discussion and Analysis

FINANCIAL REVIEW *(Continued)*

Human Resources

As at 31st December 2008, the Group had over 400 (2007: over 600) full time employees, of which 12 (2007: 7) were based in Hong Kong and the rest were in the PRC. Due to the substantial decrease in the production capacity of the Group in the fourth quarter of 2008, the number of factory workers was significantly reduced which caused the Group to record only over 400 employees by the end of 2008 compared to over 600 employees by the end of 2007. Nevertheless, for the year ended 31st December 2008, staff costs of the Group amounted to approximately HK$49.4 million (2007: approximately HK$45.8 million). This increase in staff costs was mainly due to satisfactory business performance of the Group in 2007 and review salaries of overall staff of the Group from the early 2008. 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 also include medical scheme, various insurance schemes and share options scheme.

BUSINESS REVIEW

A significant progress has been made in the litigation in one of the Group's important investments, i.e. an indirect investment in 51 million A shares of Ping An Insurance by the Group. In relation to the claim submitted by JLB Group against the acquisition by Golden Yuxing from Sanshui Jianlibao Health Industry Investment Co., Ltd. ("SJHII") of a 10.435% equity interest in JI and the indirect holding by Golden Yuxing of the 51 million Ping An Insurance A shares under an agreement entered into on 10th August 2004 (the "Acquisition Agreement"), on 7th January 2009, the Group received a judgment dated 23rd December 2008 from the Higher People's Court of the Guangdong Province (the "Guangdong Higher Court") which ruled that (i) the Acquisition Agreement and the registration of the transfer of the related equity interest in JI were legally valid; (ii) the claim submitted by JLB Group to invalidate the Acquisition Agreement was rejected; and (iii) the counter-claim filed by Golden Yuxing with the Guangdong Higher Court in May 2008 as a result of JLB Group's claim was rejected.

The dividend income received from the Group's indirect investment in 51 million Ping An Insurance A shares for the year amounted to approximately HK$40.0 million which has contributed significant gains to the Group. A fair value of this indirect investment to the amount of approximately HK$1,128.4 million as evaluated by an independent valuer was recorded in the balance sheet in the relevant accounts at 31st December 2008. As at 31st December 2008, the Group had net assets value of approximately HK$1,356.9 million or net assets value per share of approximately HK$0.83.

Being core business of the Group, the IA division has always been leading the global Internet Protocol Television ("IPTV") set-top boxes industry. Since the financial crisis began in the end of third quarter of 2008, the division's results for the fourth quarter of the year was seriously affected, which caused 41.5% decline in overall sales to approximately HK$17.9 million as compared to corresponding period of last year. However, during the year under review, the turnover of the division recorded an increase of 31.0% to approximately HK$140.5 million as compared to last year. The reasons for this increase were mainly due to the persistent endeavour by our staff and great support from our partners. The division has therefore managed to explore new markets in Europe and the PRC in 2008. In addition, the Group has not only established sound collaborative partnership with several world-renowned telecom operators, but also forged strategic relationships with world leading system integration suppliers and software developers, which laid a solid foundation for the long-term development of the Group. In addition, in line with its business expansion, the Group has conducted internal reorganization and enhanced staff training during the year under review aiming at improving the Group's professional standards.

In the Asia-Pacific Region, the Group has secured its advantageous position in the marketplace. It has not only maintained a stable development in Hong Kong, but also accomplished great achievements in expanding the domestic market. During the year under review, the Group has entered into cooperative relationship with China Telecommunications Corporation ("China Telecom"), and products have been formally launched in Shanghai. In addition, through the cooperation with China Netcom (Group) Company Limited, products have been marketed in Liaoning province. Meanwhile, the Group has also proactively established strategic partnership with the largest supplier of telecommunications equipment and systems in the PRC and provided Original Design Manufacturing (ODM) services to it.

Management Discussion and Analysis

BUSINESS REVIEW *(Continued)*

As regards other parts of the world, in order to expand its business to the whole world, the Group has been aggressively strengthening its ties with leading telecom operators in the world by getting involved in various experiments and evaluations organized by them and establishing partnership with them. During the year under review, the Group's cooperation with Telefonica (the biggest European telecom operator) went smoothly with a sales of HK$7.7 million for the period from the beginning of second quarter up to now. The client highly recommended the Group's products and technical support. In order to cater to different market requirements, the Group has entered into global strategic cooperative agreements with Orca Interactive Ltd, a world leading supplier of middleware and its application, and Viaccess, a wholly-owned subsidiary of France Telecom and a leading supplier of Certificate Authority (CA) and System Intergration (SI) to jointly explore into the international market.

As for research and development of products, with the initial establishment of IPTV market in the PRC, the Group was the first enterprise to pass IPTV 2.0 model selection tests organized by China Telecom, and became the first local supplier for the products based on IPTV 2.2 compliance for the year under review, which contributed a sales of HK$22.3 million to the Group for the year. Meanwhile, with the Group's first launch of Chinese standard DTMB+IP dual-mode HD set-top boxes to Hong Kong market in the first quarter of 2008, the local sales of the Group in Hong Kong increased to approximately HK$90.9 million, representing a 11.7% increase in the turnover of Hong Kong as compared to the last year.

In respect of the Group's other businesses, because of the lack of new breakthrough in recent years together with the negative impacts brought by the financial crisis, these businesses caused the Group to record a loss of approximately HK$8.7 million during the year under review. Taking a proactive approach, the Group will strive to bring these businesses back on track and to achieve surplus by monitoring the development in these areas and by exploring continuously the opportunities for diversified development.

Although the Group had an improvement on its overall turnover and the increase in the dividend incomes from its indirect investment in 51,000,000 A shares of Ping An Insurance, the Group recorded a loss attributable to equity holders of the Company of approximately HK$36.6 million for the year ended 31st December 2008 as compared to a profit attributable to equity holders of the Company of approximately HK$22.5 million in last year. This overall disappointing performance for the year under review was due to the reasons set out below.

First of all, as a result of the decline in the prices of the property market by the end of 2008, the Group recorded a substantial amount of loss of HK$5.3 million in the Group's properties revaluation in 2008 (2007: gains on revaluation of HK$2.9 million). Secondly, due to the poor performance of capital markets in Hong Kong and the PRC in 2008, the Group recorded realized and unrealized losses on certain financial assets in its other operating expenses totalling approximately HK$11.2 million for the year ended 31st December 2008. This caused the Group's other operating expenses to increase by 457.6%, while other revenue and net income decreased by 10.5% as compared to last year respectively. Thirdly, due to a deterioration of the general business environment as a result of the financial crisis which began in the end of the third quarter of 2008, the Group's IA division recorded a substantial decrease in the turnover and loss in the fourth quarter of 2008 which significantly reduced the unaudited profit result of this division for the nine months ended 30th September 2008. Meanwhile, the Group also made an impairment loss of approximately HK$6.1 million on part of the assets in IHA segment. Hence, the Group recorded a loss of approximately HK$9.7 million on IHA segment for the year 2008. Fourthly, the general and administrative expenses in 2008 increased by 21.9% to approximately HK$84.5 million when compared to 2007. This was mainly due to legal and professional expenses of totalling approximately HK$15.7 million incurred by the Group in Hong Kong and the PRC during the year under review. Finally, there was no gain on the disposal of subsidiaries recorded by the Group for the year ended 31st December 2008. The Group recorded a one-time gain of approximately HK$13.9 million on the disposal of its subsidiaries in 2007, which was the major contributor of the Group's profit in 2007.

Management Discussion and Analysis

BUSINESS PROSPECTS

As global financial crisis deteriorated, the Group's results in 2008 were inevitably affected. Facing the difficulties and challenges arising in the year 2009, the following factors will help to offset the decline in income due to substantial economic downturn in markets: (1) targeting emerging market in the world, IPTV is now undergoing fast expansion, thus promising a huge potential for growth from the view point of market demand; and (2) the sales of the Group's products in the PRC are expected to continue to edge up, driven by the expansion of the mainland China market and the favorable macro-economic controls imposed by the PRC government.

As for international markets, the Group will continue to keep close cooperation with the existing clients and offer superior services to them. In addition, the Group is also setting up offices in Europe to provide more efficient technical support services to its clients. At the same time, the Group will aggressively expand its customer base to alleviate the suffering caused by the economic disturbances to the Group's results in the future.

As for the domestic market, in addition to the residential user market, the Group's IPTV products have penetrated into the commercial user market. For example, such products have been installed in some hotels. As technology standards of such products gradually improve, it is anticipated that huge market potential will emerge in the IA industry in the PRC. As China Telecom intends to introduce IPTV 2.2 compliance products to all provinces across China in 2009, the Group will leverage its position as the first supplier of such products. At the same time, with the official launch of 3G licenses, the commencement of the 3G business will have a positive effect on the development of the domestic fixed-line and broadband businesses, and, to some extent, it will raise the demand across the IPTV industry. The Group anticipates that the Group's IA division will have long-term development potential in the PRC. We also anticipate that our efforts made in 2008 will bring fruitful results in 2009.

The Group will continue to provide more advanced and quality products to its international customers through research and development, and strengthen staff training to offer superior services, so as to increase the competitiveness of the products in the market and speed up the penetration into the international and domestic markets.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Zhu Wei Sha, aged 53, 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 technical background. He also has an in-depth understanding of the growth of a corporation by combining the concepts of 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 40.52% interest in the share capital of the Company.

Mr. Chen Fu Rong, aged 48, 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 16 years' experience in research and development and engineering management. Mr. Chen is currently the executive president of Shenzhen Sheng Bang and is deputy chairman of the Board. Mr. Chen is also a director and a shareholder of Super Dragon.

Mr. Wang An Zhong, aged 52, 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 48, 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 18 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 19.03% interests in the share capital of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wu Jia Jun, aged 77, is currently an Honorary Academy Member and researcher of China Social Science Academy as well as a tutor of doctoral students. He is also President of the China Industrial Economic Association. 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 56, 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 45, holds a bachelor degree in Accounting and has 14 years of experience in accounting and 10 years of experience in auditing. She is currently a tutor of Beijing University of Technology. Ms. Shen successively held important posts in a number of enterprises in the PRC and is well experienced in financial accounting, budget control and financial management. During that period, she took part in the research on the relevant financial management projects and has compiled and published a number of books on professional management. Before then, she worked in Beijing Zhong Gong Xin Certified Public Accountants (北京中公信會計師事務所), where she presided over audit works for China and international renowned enterprises operating in various fields such as manufacturing, professional affairs and services, and has accumulated invaluable experiences in relation to corporate finance management and audit works. In April 2008, Ms. Shen was appointed as the chief accountant of the Beijing University of Technology Investment Company (北京工業大學投資公司). Ms. Shen was appointed as Independent Non-executive Director in January 2005.

COMPANY SECRETARY

Mr. Liu Wei, aged 51, is qualified as a solicitor in the PRC, Hong Kong and England. He has extensive exposure in corporate finance and is a partner of DLA Piper Hong Kong. Mr. Liu graduated from the Northwest University of China, the Chinese University of Political Science and Law, the University of Cambridge and the University of Hong Kong, with a bachelor in Chinese literature, a master degree in law, a PhD in Law respectively. He also completed his Common Professional Examination (CPE) with the Manchester University in England, as well as a Postgraduate Certificate in Laws (PCLL) with the University of Hong Kong. Mr. Liu was appointed as the Company secretary in July 2007.

SENIOR MANAGEMENT

Miss Wu Wai Ting, Wendy, aged 36, 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 11 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 consolidated financial statements of the Group for the year ended 31st December 2008.

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 37 to the financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 7 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 28 to the financial statements.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31st December 2008 are set out in the consolidated income statement on page 31.

The Board of the Company does not recommend the payment of a final dividend for the year ended 31st December 2008.

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 34 and note 29 to the financial statements.

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.

PRE-EMPTIVE RIGHTS

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

FIVE-YEAR FINANCIAL SUMMARY

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

Directors' Report

SHARE OPTIONS

Details of the Company's share option scheme is set out in note 33 to the financial statements.

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

Name of director	Exercise price per share HK$	Exercisable period	Number of share options: At 1st January 2008	Exercised during the year	Granted during the year	Cancelled/ lapsed during the year	At 31st December 2008
Mr. Wang An Zhong	0.2975	26th December 2006 – 17th May 2013	4,000,000	(2,400,000)	–	–	**1,600,000**
Mr. Shi Guang Rong	0.2975	26th December 2006 – 17th May 2013	1,200,000	(600,000)	–	–	**600,000**
Mr. Wu Jia Jun	0.2975	26th December 2006 – 17th May 2013	960,000	–	–	–	**960,000**
Mr. Zhong Peng Rong	0.2975	26th December 2006 – 17th May 2013	1,600,000	–	–	–	**1,600,000**
Ms. Shen Yan	0.2975	26th December 2006 – 17th May 2013	960,000	–	–	–	**960,000**

Save as disclosed above, at no time during the year was the Company or any of 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 33 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' Report

DIRECTORS

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

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. Wu Jia Jun, Mr. Zhong Peng Rong and Ms. Shen Yan shall be subject to retirement by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting ("AGM").

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 are automatically renewed upon expiry for successive terms of one year) are subject to termination by either party giving 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 2007 and have accepted to continue their appointment for another two-year term expiring on 24th October 2009. Ms. Shen Yan was appointed as Independent Non-executive Director for a term of two years expiring on 11th January 2008 and has accepted to continue for another two-year term expiring on 11th January 2010.

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

CONTRACTS OF SIGNIFICANCE

Save as the Directors' service contracts disclosed in this 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 had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

No contracts of significance (including those in relation to provision of services) between members of 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 respectively.

Directors' Report

EMOLUMENT POLICY

The Directors are paid fees in line with market practice. The Group adopted the following main principles in 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 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 2008, 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 the Directors as referred to in rule 5.46 of the Rules Governing The Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules"), to be notified to the Company and the 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)*	660,000,000	Interest of a controlled corporation	40.52%
	Personal *(Note 2)*	300,000	Beneficial owner	0.02%
Mr. Chen Fu Rong	Corporate *(Note 1)*	660,000,000	Interest of a controlled corporation	40.52%
Mr. Shi Guang Rong	Personal *(Note 2)*	25,400,000	Beneficial owner	1.56%
Mr. Wang An Zhong	Personal *(Note 2)*	5,136,756	Beneficial owner	0.32%

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. Both Mr. Zhu Wei Sha and Mr. Chen Fu Rong are directors of Super Dragon.

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, Wang An Zhong and Zhu Wei Sha.

Directors' Report

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 existing share option scheme approved by the shareholders of the Company on 18th May 2003, Directors in the capacity as beneficial owners were granted unlisted and physically settled share options to subscribe for shares of the Company, details of which as at 31st December 2008 were as follows:

				Number of share options				
Name of Director	Date of grant	Exercise price per share HK$	Exercisable period	At 1st January 2008	Exercised during the year	Granted during the year	Cancelled/ lapsed during the year	At 31st December 2008
Mr. Wang An Zhong	26th December 2006	0.2975	26th December 2006 – 17th May 2013	4,000,000	(2,400,000)	–	–	**1,600,000**
Mr. Shi Guang Rong	26th December 2006	0.2975	26th December 2006 – 17th May 2013	1,200,000	(600,000)	–	–	**600,000**
Mr. Wu Jia Jun	26th December 2006	0.2975	26th December 2006 – 17th May 2013	960,000	–	–	–	**960,000**
Mr. Zhong Peng Rong	26th December 2006	0.2975	26th December 2006 – 17th May 2013	1,600,000	–	–	–	**1,600,000**
Ms. Shen Yan	26th December 2006	0.2975	26th December 2006 – 17th May 2013	960,000	–	–	–	**960,000**

Save as disclosed above, none of the Directors or chief executive of the Company had, as at 31st December 2008, 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 Exchange pursuant to the minimum standards of dealing by Directors as referred to in rule 5.46 to the GEM Listing Rules.

Directors' Report

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 2008, the following is a list of 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	660,000,000	Beneficial owner	40.52%
Dragon Treasure *(Note 2)*	Corporate	310,000,000	Trustee	19.03%

Notes:

1. Super Dragon is beneficially owned by Mr. Zhu Wei Sha, as to 63.6%, and Mr. Chen Fu Rong, as to 36.4% respectively. Both Mr. Zhu Wei Sha and Mr. Chen Fu Rong are directors of Super Dragon.

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, Wang An Zhong and Zhu Wei Sha, 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 2008, 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	8.8%
– five largest suppliers combined	34.9%

Sales

– the largest customer	55.5%
– five largest customers combined	97.5%

Directors' Report

MAJOR CUSTOMERS AND SUPPLIERS *(Continued)*

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.

COMPLIANCE ADVISER'S INTEREST

As at 31st December 2008, none of Anglo Chinese Corporate Finance, Limited (the "Compliance Adviser"), the compliance adviser of the Company, its directors, employees or associates had any interests in the Company's share capital.

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

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.

PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed public float required under the GEM Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

AUDITOR

Messrs. Deloitte Touche Tohmatsu, who acted as auditor of the Company since 16th August 2002, had resigned on 21st December 2005 and CCIF CPA Ltd ("CCIF") was appointed as provisional auditor of the Company on 26th January 2006 to fill the casual vacancy. CCIF was elected as auditor of the Company at the AGM of the Company held on 18th May 2007. On 23rd September 2008, CCIF had resigned and Mazars CPA Limited ("Mazars") was appointed as auditor of the Company to fill the casual vacancy following the resignation of CCIF and to hold office until the conclusion of the forthcoming AGM of the Company, who will retire and, being eligible, offer themselves for re-appointment.

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

Hong Kong, 23rd March 2009

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 GEM Listing Rules.

Subject to the deviations as disclosed hereof, the Company has complied with all the GEM Code during the year under review.

(a) Under provision A.2.1 of the GEM Code, the role of chairman and chief executive officer should be separated and should not be performed by the same individual. The responsibilities between the chairman and the chief executive officer should be clearly established and set out in writing. Mr. Zhu Wei Sha is the chairman of the Board and the chief executive officer of the Group. As such, such dual role constitutes a deviation from Code Provisions A.2.1. However, the Board is of the view that: (i) the Company has sufficient internal controls to provide checks and balances on the functions of the chairman and chief executive officer; (ii) Mr. Zhu Wei Sha as the chairman of the Board and the chief executive officer of the Group is responsible for ensuring that all directors act in the best interests of the shareholders. He is fully accountable to the shareholders and contributes to the Board and the Group on all top-level and strategic decisions; and (iii) this structure will not impair the balance of power and authority between the Board and the management of the Company.

(b) Under provision E.1.2 of the GEM Code, the chairman of the Board should attend the AGM and arrange for the chairman of the audit, remuneration and nomination committees (as appropriate) to be available to answer questions at the AGM. Mr. Chen Fu Rong, the deputy chairman of the Company has been performing the above duties in lieu of Mr. Zhu Wei Sha, the chairman of the Company, who was on an overseas business trip on the day of the AGM.

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 standards of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules during the year under review.

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, Ms. Shen Yan has appropriate professional qualifications and expertise in accounting and auditing.

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; and

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

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.

Corporate Governance Report

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.

In 2008, the Board held five full board meetings. The attendance record of each member of the Board is set out below:

Executive Directors	**Attendance**
Mr. Zhu Wei Sha *(Chairman)*	5/5
Mr. Chen Fu Rong *(Deputy Chairman)*	5/5
Mr. Wang An Zhong	5/5
Mr. Shi Guang Rong	5/5
Independent Non-executive Directors	
Mr. Wu Jia Jun	5/5
Mr. Zhong Peng Rong	5/5
Ms. Shen Yan	5/5

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 are referred to the section "Directors' Service Contracts" on page 19.

To the knowledge of the Directors, the Board members have no financial, business, families or other material relationships with each other.

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 to determine the suitability to the Group on the basis of their qualifications, experience and background. The decision of appointing directors must be approved by the Board. Any newly appointed director shall hold office only up to the next following AGM 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 Jun (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 executive Directors and senior management, in accordance with provision B.1.3 of the GEM Code.

During the year 2008, the remuneration committee of the Company convened a meeting, in which the remuneration committee reviewed and approved the remuneration packages of the executive Directors and senior management.

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

Members	**Attendance**
Mr. Sun Li Jun *(Chairman)*	1/1
Mr. Wang An Zhong	1/1
Mr. Wu Jia Jun	1/1
Mr. Zhong Peng Rong	1/1
Ms. Shen Yan	1/1

Corporate Governance Report

AUDITOR'S REMUNERATION

The remuneration in respect of audit services provided by the auditor, Mazars, to the Group in the year 2008 amounted to HK$926,000. Non-audit services provided by Mazars to the Group in the year 2008 were tax services amounting to HK$24,000.

AUDIT COMMITTEE

The Company established an audit committee (the "Committee") on 20th November 1999 with written terms of reference in compliance with the GEM Listing Rules.

The Committee provides an important link between the Board and the Company's auditor in matters coming within the scope of the Group's audit. The primary duties of the Committee are to review and supervise the financial reporting process of the Group. It also reviews the effectiveness of both the external audit and of internal controls and risk evaluation. The Committee comprises three Independent Non-executive Directors of the Company, namely Mr. Wu Jia Jun, Mr. Zhong Peng Rong and Ms. Shen Yan. Ms. Shen Yan was appointed as the chairman of the Committee and she has appropriate professional qualifications in accounting and auditing experience. The Committee had held four meetings were held during the current financial year. The Group's audited results for the current financial year had been reviewed by the Committee.

The attendance record of each member of the 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 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 auditor's reporting responsibilities are set out in the "Independent Auditor's 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, to safeguard the Company's assets against unauthorised use or disposition, and to protect the interests of the shareholders.

Independent Auditor's Report

MAZARS

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 (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 86, which comprise the consolidated and the Company's balance sheet as at 31st December 2008, 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 of the Company 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 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 and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda (as amended), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting polices used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 23rd March 2009

Eunice Y M Kwok
Practising Certificate number: P04604

Consolidated Income Statement

For the year ended 31st December 2008

	Notes	2008 HK$'000	2007 HK$'000
Turnover	7	**155,167**	125,730
Cost of sales		**(122,699)**	(95,561)
Gross profit		**32,468**	30,169
Other revenue and net income	8	**49,907**	55,752
Distribution and selling expenses		**(9,217)**	(4,875)
General and administrative expenses		**(84,488)**	(69,292)
Other operating expenses		**(12,239)**	(2,195)
Fair value (loss)/gain on investment properties	16	**(5,300)**	2,900
Impairment loss on property, plant and equipment	17	**(6,137)**	–
(Loss)/Profit from operations	9	**(35,006)**	12,459
Finance costs	12	**(1,571)**	(3,093)
Gain on disposal of subsidiaries		**–**	13,873
(Loss)/Profit before taxation		**(36,577)**	23,239
Taxation	13	**–**	(726)
(Loss)/Profit attributable to equity holders of the Company		**(36,577)**	22,513
(Loss)/Earnings per share	15		
– Basic		**(2.25) cents**	1.40 cents
– Diluted		**N/A**	1.34 cents

Consolidated Balance Sheet

As at 31st December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Investment properties	16	**24,300**	29,600
Property, plant and equipment	17	**108,917**	115,342
Prepaid lease payments	18	**13,476**	13,021
Intangible assets	19	**–**	–
Available-for-sale financial assets	21	**1,128,403**	3,954,047
		1,275,096	4,112,010
CURRENT ASSETS			
Inventories	23	**26,821**	22,916
Trade and other receivables	24	**55,184**	47,669
Prepaid lease payments	18	**351**	330
Financial assets at fair value through profit or loss	22	**4,901**	5,222
Cash and bank balances		**59,478**	90,960
		146,735	167,097
CURRENT LIABILITIES			
Trade and other payables	25	**50,533**	41,263
Bank loans	26	**1,015**	25,384
Tax payable		**30**	599
Provisions	27	**–**	1,113
		51,578	68,359
NET CURRENT ASSETS		**95,157**	98,738
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,370,253**	4,210,748
NON-CURRENT LIABILITIES			
Bank loans	26	**13,339**	14,445
		13,339	14,445
NET ASSETS		**1,356,914**	4,196,303
CAPITAL AND RESERVES			
Share capital	28	**40,720**	40,528
Reserves	29	**1,316,194**	4,155,775
TOTAL EQUITY		**1,356,914**	4,196,303

Approved by the Board on 23rd March 2009 and signed on behalf of the Board by:

Zhu Wei Sha
Chairman

Shi Guang Rong
Vice President

Balance Sheet

As at 31st December 2008

	Notes	2008 HK$'000	2007 HK$'000 (Restated)
NON-CURRENT ASSETS			
Interests in subsidiaries	20	**624,624**	630,751
CURRENT ASSETS			
Trade and other receivables	24	**601**	290
Cash and bank balances		**4,882**	1,933
		5,483	2,223
CURRENT LIABILITIES			
Trade and other payables	25	**380**	2,090
Amounts due to subsidiaries	20	**34,872**	34,872
		35,252	36,962
NET CURRENT LIABILITIES		**(29,769)**	(34,739)
NET ASSETS		**594,855**	596,012
CAPITAL AND RESERVES			
Share capital	28	**40,720**	40,528
Reserves	29	**554,135**	555,484
TOTAL EQUITY		**594,855**	596,012

Approved by the Board on 23rd March 2009 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 2008

	Attributable to equity holders of the Company										
	Share capital HK$'000	Share premium HK$'000	Statutory reserves HK$'000	Contributed surplus HK$'000	Investment revaluation reserves HK$'000	Share option reserves HK$'000	Translation reserves HK$'000	Retained profits/ Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1st January 2007	40,000	381,713	20,190	–	1,881,457	139	15,814	(34,490)	2,304,823	15,495	2,320,318
Issue of shares under share option scheme	528	7,555	–	–	–	(1,797)	–	–	6,286	–	6,286
Reduction of share premium to offset against accumulated losses and transfer to contributed surplus	–	(385,022)	–	234,621	–	–	–	150,401	–	–	–
Realised on disposal of subsidiaries	–	–	–	–	–	–	–	–	–	(15,495)	(15,495)
Equity-settled share – based payment	–	–	–	–	–	18,656	–	–	18,656	–	18,656
Change in fair value of available-for-sale financial assets	–	–	–	–	1,703,620	–	–	–	1,703,620	–	1,703,620
Exchange differences on translation of PRC subsidiaries	–	–	–	–	–	–	160,556	–	160,556	–	160,556
2006 final dividend paid	–	–	–	–	–	–	–	(20,151)	(20,151)	–	(20,151)
Profit for the year	–	–	–	–	–	–	–	22,513	22,513	–	22,513
At 31st December 2007 and at 1st January 2008	40,528	4,246	20,190	234,621	3,585,077	16,998	176,370	118,273	4,196,303	–	4,196,303
Issue of shares under share option scheme	192	3,023	–	–	–	(931)	–	–	2,284	–	2,284
Equity-settled share – based payment	–	–	–	–	–	11,500	–	–	11,500	–	11,500
Change in fair value of available-for-sale financial assets	–	–	–	–	(3,069,998)	–	–	–	(3,069,998)	–	(3,069,998)
Exchange differences on translation of PRC subsidiaries	–	–	–	–	–	–	253,402	–	253,402	–	253,402
Loss for the year	–	–	–	–	–	–	–	(36,577)	(36,577)	–	(36,577)
At 31st December 2008	**40,720**	**7,269**	**20,190**	**234,621**	**515,079**	**27,567**	**429,772**	**81,696**	**1,356,914**	**–**	**1,356,914**

Consolidated Cash Flow Statement

For the year ended 31st December 2008

	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES		
(Loss)/Profit before taxation	**(36,577)**	23,239
Adjustments for:		
Impairment in respect of trade receivables	**2,351**	955
Reversal of write-down of inventories	**(962)**	(914)
Interest income	**(556)**	(1,215)
Interest paid	**1,571**	3,093
Dividend income	**(40,311)**	(22,136)
Reversal of impairment on an ex-associate	**–**	(2,019)
Fair value loss/(gain) on investment properties	**5,300**	(2,900)
Amortisation of intangible assets	**729**	204
Impairment on intangible assets	**841**	169
Amortisation of prepaid lease payments	**347**	317
Depreciation of property, plant and equipment	**9,080**	7,753
Impairment on property, plant and equipment	**6,137**	–
Net loss on disposal of property, plant and equipment	**5**	48
Gain on disposal of subsidiaries	**–**	(13,873)
Loss/(Gain) on disposal of financial assets at fair value through profit or loss	**10,045**	(11,857)
Net unrealised holding loss/(gain) on financial assets at fair value through profit or loss	**1,171**	(1,468)
Reversal of impairment on other receivables	**–**	(7,412)
Share option expenses	**11,500**	18,656
(Write back of)/Provisions for litigation	**(234)**	1,113
OPERATING LOSS BEFORE CHANGES IN WORKING CAPITAL	**(29,563)**	(8,247)
(Increase)/Decrease in inventories	**(1,998)**	5,226
(Increase)/Decrease in trade and other receivables	**(9,659)**	8,632
Increase/(Decrease) in trade and other payables	**7,964**	(8,932)
Decrease in provisions	**(891)**	–
CASH USED IN OPERATIONS	**(34,147)**	(3,321)
Income taxes paid	**(606)**	(1,851)
NET CASH USED IN OPERATING ACTIVITIES	**(34,753)**	(5,172)

Consolidated Cash Flow Statement

For the year ended 31st December 2008

	2008 HK$'000	2007 HK$'000
INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	**(105,424)**	(50,101)
Purchase of property, plant and equipment	**(1,861)**	(2,365)
Additions of intangible assets	**(1,587)**	–
Proceeds from disposal of financial assets at fair value through profit or loss	**94,519**	65,091
Interest received	**556**	1,215
Dividend received	**40,311**	22,136
New loans	**–**	(13,679)
Loans repayment	**–**	13,679
Proceeds from reversal of impairment on an ex-associate	**–**	2,019
Proceeds from disposal of property, plant and equipment	**1**	103
Net cash outflow from disposal of subsidiaries	**–**	(10,738)
NET CASH GENERATED FROM INVESTING ACTIVITIES	**26,515**	27,360
FINANCING ACTIVITIES		
Proceeds from issue of shares under share option scheme	**2,284**	6,286
New bank loans raised	**22,822**	453,177
Repayment of bank loans	**(49,811)**	(461,583)
Interest paid	**(1,571)**	(3,093)
Dividend paid	**–**	(20,151)
NET CASH USED IN FINANCING ACTIVITIES	**(26,276)**	(25,364)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(34,514)**	(3,176)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**90,960**	94,144
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**3,032**	(8)
CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash and bank balances	**59,478**	90,960

Notes to the Financial Statements

1. CORPORATE INFORMATION

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 "GEM").

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

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are detailed in note 37 to the financial statements.

2. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also complied with the applicable disclosure provisions of the Rules Governing The Listing of Securities on the GEM.

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2007 financial statements. The adoption of new/revised HKFRSs that are effective from the current year has had no significant effects on the Group's results and financial position for the current and prior years. Accordingly, no prior year adjustment has been required. A summary of the principal accounting policies adopted by the Group is set out below.

(b) Basis of measurement

The measurement basis used in the preparation of these financial statements is historical cost, except for investment properties, available-for-sale financial assets and financial assets at fair value through profit or loss, which are measured at fair value as explained in the accounting policies.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries as at 31st December each year. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company using consistent accounting policies.

All intra-group balance, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceased.

Minority interest represents the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from equity holders of the Company. 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.

Notes to the Financial Statements

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Subsidiaries

A subsidiary is an entity in which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's balance sheet, interests in subsidiaries are stated at cost less accumulated impairment losses. The carrying amount of the investment is reduced to its recoverable amount on an individual basis. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to the income statement during the year in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Buildings	3% or over the relevant lease term, whichever is shorter
Leasehold improvements	5% – 33% or over the relevant lease term, whichever is shorter
Office equipment, furniture and fixtures	20% – 33%
Plant and machinery	10%
Motor vehicles	10% – 33%

(f) Investment properties

Investment properties are land and/or building that are held by owner or lessee under finance lease, to earn rental income and/or for capital appreciation. These include properties held for a currently undetermined future use and properties that are held under operating lease, which satisfy the definition of investment property and carry at fair value.

Investment properties are stated at fair value at the balance sheet date. Any gain or loss arising from a change in fair value is recognised in the income statement. The fair value of investment property is based on a valuation by an independent valuer who holds a recognised professional qualification and has recent experience in the location and category of property being valued.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) Prepaid lease payments for leasehold land

Prepaid lease payments for leasehold land are up-front payments to acquire fixed-term interests in lessee-occupied land. The premiums are stated at cost and are amortised over the period of the lease on a straight-line basis to the income statement.

(h) Research and development costs

Research costs are expensed as incurred. Costs incurred on development activities, which involve the application of research findings to a plan or design for the production of new or substantially improved products and processes, are capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete the development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. When the asset is available for use, the capitalised development costs are amortised on a straight-line basis over a period which reflects the pattern in which the related economic benefits are recognised.

(i) Intangible assets

The initial cost of acquiring patents, trademarks and film and musical recording rights are capitalised.

Patents, trademarks and film and musical recording rights with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided on the straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured as 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.

(j) Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when the Group's contractual rights to future cash flows from the financial asset expire or when the Group transfers the financial asset and the Group has transferred substantially all the risks and rewards of ownership of the financial asset. A financial liability is derecognised only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. They are carried at fair value, with any resultant gain and loss recognised in the income statement.

Financial assets are classified as held for trading if they are (i) acquired principally for the purpose of selling in the near future; (ii) part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or (iii) derivatives that are not financial guarantee contracts or not designated and effective hedging instruments.

Notes to the Financial Statements

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

Financial assets at fair value through profit or loss (Continued)

Financial assets are designated at initial recognition as at fair value through profit or loss if (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or (ii) they are part of a group of financial assets and/or financial liabilities that are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) they contain embedded derivatives that would need to be separately recorded.

Loans and receivables

Loans and receivables including trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the year to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in the income statement.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated at this category or not classified in any of the other categories of financial assets. They are measured at fair value with changes in value recognised as a separate component of equity until the assets are sold, collected or otherwise disposed of, or until the assets are determined to be impaired, at which time the cumulative gain or loss previously reported in equity is transferred to the income statement. The fair value of available-for-sale financial assets is based on a valuation by an independent valuer.

Impairment of financial assets

At each balance sheet date, the Group assesses whether there is objective evidence that financial assets, other than those at fair value through profit or loss, are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through income statement when an increase in the asset's 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.

When an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and current fair value, less any previously recognised impairment loss, is transferred from equity to income statement. Impairment losses recognised in profit or loss in respect of available-for-sale equity instrument are not reversed through profit or loss. Any subsequent increase in fair value of available-for-sale equity instrument after recognition of impairment loss is recognised in equity. Reversal of impairment loss of available-for-sale debt instruments are reversed through the income statement, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

Notes to the Financial Statements

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

Financial liabilities

The Group's financial liabilities include trade and other payables, bank loans and other borrowings. All financial liabilities except for derivatives are recognised initially at their fair value and subsequently measured at amortised cost, using effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

(k) Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(m) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases.

Sale of goods is recognised on transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title is passed.

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

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

Notes to the Financial Statements

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(n) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in the currency of Hong Kong dollars, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

The results and financial position of all the Group entities that have a functional currency different from the presentation currency ("foreign operations") are translated into the presentation currency as follows:

(a) Assets and liabilities for each balance sheet presented are translated at the closing rate at the balance sheet date;

(b) Income and expenses for each income statement are translated at average exchange rates; and

(c) All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity. On disposal of a foreign operation, the cumulative amount of the exchange differences deferred in the separate component of equity relating to that foreign operation is recognised in income statement when the gain or loss on disposal is recognised.

(o) Impairment of other assets

At each balance sheet date, the Group reviews internal and external sources of information to determine whether its property, plant and equipment and intangible assets with finite useful lives have suffered an impairment loss or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income immediately.

Notes to the Financial Statements

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(p) Borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

(q) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(r) Leases

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Rentals payable and receivable under operating leases are charged or credited to the income statement on a straight-line basis over the term of the relevant lease.

(s) Employee benefits

Short term employee benefits

Salaries, annual bonuses and paid annual leave are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Defined contribution plans

The obligations for contributions to Mandatory Provident Fund Scheme in Hong Kong are recognised as an expense in the income statement as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

Contributions to the state-managed retirement benefit schemes in jurisdictions other than Hong Kong, which are calculated on certain percentages of the applicable payroll costs, are charged as expense when employees have rendered services entitling them to the contributions.

Notes to the Financial Statements

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(t) Share-based payment transactions

Equity-settled transactions

The Group's employees, including directors, receive remuneration in the form of share-based payment transactions, whereby the employees rendered services in exchange for shares or rights over shares. The cost of such transactions with employees is measured by reference to the fair value of the equity instrument at the grant date. The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a reserve within equity. The fair value is determined using the Black-Scholes Option Model, taking into account the terms and conditions of the transactions, other than conditions linked to the price of the shares of the Company.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the year in which the vesting conditions are to be fulfilled, ending on the date on which the relevant employees become fully entitled to the award. During the vesting period, the number of share options that is expected to vest ultimately is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the income statement for the year of the review, with a corresponding adjustment to the reserve within equity.

(u) Taxation

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, any deferred tax arising from initial recognition of other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Notes to the Financial Statements

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(v) Related parties

A party is related to the Group if:

(a) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; or has an interest in the Group that gives its significant influence over the Group; or has joint control over the Group;

(b) the party is an associate of the Group;

(c) the party is a joint venture in which the Group is a venturer;

(d) the party is a member of the key management personnel of the Group;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

(w) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (“business segment”), or in providing products or services within a particular economic environment (“geographical segment”), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group’s internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

Notes to the Financial Statements

3. FUTURE CHANGES IN HKFRSs

At the date of authorisation of these financial statements, the HKICPA has issued a number of new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted. The Directors anticipate that the adoption of these new HKFRSs in the future periods will have no material impact on the results of the Group.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates, assumptions concerning the future and judgements are made by the management in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

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.

Allowance for inventories

The Group's management reviews the condition of inventories at each balance sheet date, and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable. The Group carries out the inventory review on a product-by-product basis and makes allowances by reference to the latest market prices and current market conditions.

Impairment in respect of trade receivables

The provisioning policy for impairment in respect of trade receivables of the Group is based on the evaluation by management of the collectability of the accounts receivable. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment will be required. At the balance sheet date, the carrying amount of receivables after provision for impairment amounted to approximately HK$31,787,000 (2007: approximately HK$28,961,000).

Impairment of investment in subsidiaries

The Company assesses annually if investment in subsidiaries has suffered any impairment in accordance with HKAS 36 and follows the guidance of HKAS 39 in determining whether amounts due from these entities are impaired. Details of the approach are stated in the respective accounting policies. The assessment requires an estimation of future cash flows, including expected dividends, from the assets and the selection of appropriate discount rates. Future changes in financial performance and position of these entities would affect the estimation of impairment loss and lead to adjustments of their carrying amounts.

Notes to the Financial Statements

5. CAPITAL MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Meanwhile, the Group monitors its capital structure on the basis of a target gearing ratio determined as the proportion of debt to equity. For this purpose the Group defines debt as total debt (which includes interest-bearing loans and borrowings, trade and other payables).

During 2008, the Group's strategy, which was unchanged from 2007, was to maintain the gearing ratio at the lower end of the range 5% to 10%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The debt-to-equity ratio at 31st December 2008 and 2007 was as follows:

		Group		**Company**	
	Notes	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000 (Restated)
Current liabilities:					
Trade and other payables	25	**50,533**	41,263	**380**	2,090
Bank loans	26	**1,015**	25,384	**–**	–
Amounts due to subsidiaries	20	**–**	–	**34,872**	34,872
		51,548	66,647	**35,252**	36,962
Non-current liabilities:					
Bank loans	26	**13,339**	14,445	**–**	–
Total debt		**64,887**	81,092	**35,252**	36,962
Total equity		**1,356,914**	4,196,303	**594,855**	596,012
Debt-to-equity ratio		**4.8%**	1.9%	**5.9%**	6.2%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Notes to the Financial Statements

6. FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Debtors with balances that are more than three months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the balance sheet date, the Group has a certain concentration of credit risk as 28.4% (2007: 25.5%) and 54.9% (2007: 50.3%) of the total trade and other receivables was due from the Group's largest customer and the five largest customers respectively within the business segment.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. The Group does not provide any guarantees which would expose the Group or the Company to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 24.

Notes to the Financial Statements

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

Group

	2008						2007					
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
Trade and other payables (note 25)	50,533	50,533	50,533	–	–	–	41,263	41,263	41,263	–	–	–
Bank loans (note 26)	14,354	16,728	1,360	1,360	4,080	9,928	39,829	45,604	26,865	1,522	4,567	12,650
	64,887	67,261	51,893	1,360	4,080	9,928	81,092	86,867	68,128	1,522	4,567	12,650

Company

	2008						2007					
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
Other payables (note 25)	380	380	380	–	–	–	2,090	2,090	2,090	–	–	–
Amounts due to subsidiaries (note 20)	34,872	34,872	34,872	–	–	–	34,872	34,872	34,872	–	–	–
	35,252	35,252	35,252	–	–	–	36,962	36,962	36,962	–	–	–

Notes to the Financial Statements

6. FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's secured interest-bearing borrowings and bank deposits.

At reporting date, if interest rates had been 100 basis point higher or lower and all other variables were held constant, the Group's net loss would decrease by HK$419,000 or HK$13,000 respectively (2007: net profit increase/decrease by HK$496,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2007.

(d) Currency risk

The Group has transactional currency exposure. Such exposure arises from trading transactions denominated in a currency other than the functional currency of an operating unit to which they relate. The group's exposure to foreign currency risk principally arises from changes in exchange rate of USD against HKD. Management considers that the Group has limited exposure to foreign currency risk since the relevant exchange rate has remained relatively stable. The Group has no significant foreign currency risk in its PRC operations as the carrying amounts of financial assets and liabilities are denominated in RMB.

(e) Equity price risk

The Group is exposed to price risk arising from securities investments classified as available-for-sale financial assets and financial assets at fair value through profit and loss (see notes 21 and 22).

At the reporting date, if the quoted market price had been 20% higher/lower while all other variables were held constant, the Group's net loss would be increased/decreased by HK$980,000 (2007: net profit increase/decrease HK$1,044,000) due to change in the fair value of financial assets at fair value through profit or loss. Investment revaluation reserves would be increased/decreased by HK$225,681,000 (2007: HK$790,809,000) as a result of changes in fair value of available-for-sale investments. The Group's sensitivity to equity price has not changed significantly from the prior year.

The sensitivity analysis has been determined assuming that the reasonably possible changes in the stock market index or other relevant risk variables had occurred at the balance sheet date and had been applied to the exposure to equity price risk in existence at that date. It is also assumed that the fair values of the Group's investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, that none of the Group's securities investments would be considered impaired as a result of a reasonably possible decrease in the relevant stock market index or other relevant risk variables, and that all other variables remain constant. The stated changes represent management's assessment of reasonably possible changes in the relevant stock market index or the relevant risk variables over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2007.

Notes to the Financial Statements

6. FINANCIAL INSTRUMENTS *(Continued)*

(f) Fair value

In the opinion of the directors, the carrying amounts of financial instruments approximate their fair values, and accordingly no disclosure of the fair value of these items are presented.

The fair value of securities investment included in available-for-sale financial assets and financial assets at fair value through profit or loss is based on the valuation by independent valuer or quoted market bid prices available on the relevant stock exchange.

7. SEGMENT INFORMATION

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

For management purposes, the current major operating segment of the Group is information home appliances. This segment is the basis on which the Group reports its primary segment information.

The information home appliances segment is principally engaged in manufacture, sales and distribution of information appliances, audio-visual products and complementary products to the consumer market.

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

Notes to the Financial Statements

7. SEGMENT INFORMATION *(Continued)*

Business segments

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

For the year ended 31st December 2008

	Information home appliances HK$'000	Other operations HK$'000	Elimination HK$'000	Consolidated HK$'000
TURNOVER				
External sales	**140,489**	**14,678**	**–**	**155,167**
Inter-segment sales	**193,157**	**2,300**	**(195,457)**	**–**
Total	**333,646**	**16,978**	**(195,457)**	**155,167**
RESULTS				
Segment results	**(9,746)**	**(8,746)**	**–**	**(18,492)**
Unallocated corporate income				**45,635**
Fair value loss on investment properties				**(5,300)**
Other unallocated corporate expenses				**(56,849)**
Loss from operations				**(35,006)**
Finance costs				**(1,571)**
Loss before taxation				**(36,577)**
Taxation				**–**
Loss for the year				**(36,577)**

Notes to the Financial Statements

7. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

As at 31st December 2008

	Information home appliances HK$'000	Other operations HK$'000	Consolidated HK$'000
ASSETS			
Segment assets	179,454	11,233	190,687
Unallocated corporate assets			1,231,144
Consolidated total assets			1,421,831
LIABILITIES			
Segment liabilities	28,752	2,390	31,142
Unallocated corporate liabilities			33,775
Consolidated total liabilities			64,917
OTHER INFORMATION			
Capital additions	1,745	1,703	3,448
Depreciation and amortisation	7,533	2,623	10,156
Provision/(Reversal) of write-down of inventories	2,010	(2,972)	(962)
Impairment in respect of trade receivables	536	1,815	2,351
Bad debts	27	–	27
Impairment on property, plant and equipment	6,137	–	6,137
Impairment on intangible assets	–	841	841

Notes to the Financial Statements

7. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

For the year ended 31st December 2007

	Information home appliances HK$'000 (Restated)	Other operations HK$'000 (Restated)	Elimination HK$'000	Consolidated HK$'000 (Restated)
TURNOVER				
External sales	107,248	18,482	–	125,730
Inter-segment sales	137,185	5,435	(142,620)	–
Total	244,433	23,917	(142,620)	125,730
RESULTS				
Segment results	9,323	(12,924)	–	(3,601)
Unallocated corporate income				51,072
Fair value gain on investment properties				2,900
Other unallocated corporate expenses				(37,912)
Profit from operations				12,459
Finance costs				(3,093)
Gain on disposal of subsidiaries				13,873
Profit before taxation				23,239
Taxation				(726)
Profit for the year				22,513

Notes to the Financial Statements

7. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

As at 31st December 2007

	Information home appliances HK$'000 (Restated)	Other operations HK$'000 (Restated)	Consolidated HK$'000 (Restated)
ASSETS			
Segment assets	170,772	27,016	197,788
Unallocated corporate assets			4,081,319
Consolidated total assets			4,279,107
LIABILITIES			
Segment liabilities	27,986	3,915	31,901
Unallocated corporate liabilities			50,903
Consolidated total liabilities			82,804
OTHER INFORMATION			
Capital additions	1,541	824	2,365
Depreciation and amortisation	5,994	2,280	8,274
Reversal of write-down of inventories	(477)	(437)	(914)
Impairment in respect of trade receivables	911	44	955
Bad debts	–	1,075	1,075
Impairment on intangible assets	169	–	169

Notes to the Financial Statements

7. SEGMENT INFORMATION *(Continued)*

Geographical segments

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

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

	Turnover	
	2008	2007
	HK$'000	HK$'000
The PRC	**39,383**	23,201
Hong Kong	**90,933**	81,400
Other countries	**24,851**	21,129
	155,167	125,730

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	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
The PRC	**173,507**	163,384	**3,312**	2,187
Hong Kong	**17,180**	34,404	**136**	178
	190,687	197,788	**3,448**	2,365

Notes to the Financial Statements

8. OTHER REVENUE AND NET INCOME

	2008	2007
	HK$'000	HK$'000
Other revenue		
Dividend income from unlisted securities	**40,027**	21,978
Dividend income from listed securities	**284**	158
Foreign exchange gain	**2,456**	3,074
Interest income	**556**	1,215
Rental income from investment properties	**1,191**	996
Reversal of impairment on an ex-associate	**–**	2,019
Reversal of impairment on other receivables	**15**	7,412
Sundry income	**5,378**	5,575
	49,907	42,427
Other net income		
Gain on disposal of financial assets at fair value through profit or loss	**–**	11,857
Net unrealised holding gain on financial assets at fair value through profit or loss	**–**	1,468
	–	13,325
	49,907	55,752

Notes to the Financial Statements

9. (LOSS)/PROFIT FROM OPERATIONS

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

	2008	2007
	HK$'000	HK$'000
Auditor's remuneration	**926**	1,000
Under provision of auditor's remuneration in prior year	**210**	20
Impairment in respect of trade receivables	**2,351**	955
Amortisation of intangible assets	**729**	204
Amortisation of prepaid lease payments	**347**	317
Depreciation of property, plant and equipment	**9,080**	7,753
Cost of inventories	**122,699**	95,561
Foreign exchange loss	**818**	363
Loss on disposal of property, plant and equipment	**5**	48
Bad debts	**27**	1,075
Reversal of write-down of inventories*	**(962)**	(914)
Impairment on intangible assets	**841**	169
Loss on disposal of financial assets at fair value through profit or loss	**10,045**	–
Net unrealised holding losses on financial assets at fair value through profit or loss	**1,171**	–
Direct outgoings from leasing of investment properties	**454**	304
Operating lease charges	**3,441**	2,333
Research and development costs	**2,581**	989
Staff costs (including Directors' emoluments (note 10)):		
Salaries and allowances	**32,784**	24,299
Share option benefits	**11,500**	18,656
Retirement scheme contributions	**5,091**	2,825
Total staff costs	**49,375**	45,780

* *The reversal of write-down of inventories arose from disposal of inventories which had been written-down in previous years.*

Notes to the Financial Statements

10. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the seven (2007: seven) 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	–	805	–	–	805
Chen Fu Rong	–	347	11	–	358
Shi Guang Rong	–	480	12	62	554
Wang An Zhong	–	330	49	124	503
Independent Non-executive Directors					
Wu Jia Jun	70	–	–	49	119
Zhong Peng Rong	70	–	–	49	119
Shen Yan	70	–	–	49	119
Total for 2008	**210**	**1,962**	**72**	**333**	**2,577**
Executive Directors					
Zhu Wei Sha	–	600	–	–	600
Chen Fu Rong	–	212	–	–	212
Shi Guang Rong	–	480	12	335	827
Wang An Zhong	–	250	16	669	935
Independent Non-executive Directors					
Wu Jia Jun	70	–	–	268	338
Zhong Peng Rong	70	–	–	268	338
Shen Yan	70	–	–	268	338
Total for 2007	210	1,542	28	1,808	3,588

During the year 2007 and 2008, 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.

Notes to the Financial Statements

11. INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the year, four Directors (2007: three) are included in the five highest paid individuals of the Group. Details of Directors' emoluments are set out in note 10 above. The emolument of the remaining one (2007: two) highest paid individual, who is an employee of the Group, is as follows:

	2008 HK$'000	2007 HK$'000
Basic salaries, allowances and other benefits in kind	**636**	1,277
Retirement benefits scheme contributions	**12**	21
Share option benefit	**17**	268
	665	1,566

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

12. FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Interest on bank loans wholly repayable within five years	**1,128**	2,800
Interest on bank loans repayable over five years	**443**	293
Total borrowing costs	**1,571**	3,093

13. TAXATION

The taxation charged to the income statement represents:

	2008 HK$'000	2007 HK$'000
The PRC Enterprise Income Tax		
– Current year	**–**	726

No Hong Kong Profits Tax has been provided for 2008 and 2007 as the Group did not have any assessable profit for both years.

The income tax provision in respect of operations in the PRC is calculated at the applicable tax rates of 18% to 25% (2007: 15% to 33%) on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof.

Notes to the Financial Statements

13. TAXATION *(Continued)*

Reconciliation between tax expenses and accounting (loss)/profit at applicable tax rates:

	2008 HK$'000	2007 HK$'000
(Loss)/Profit before taxation	**(36,577)**	23,239
Notional tax on (loss)/profit before taxation, calculated at rates applicable to (loss)/profit in the jurisdictions concerned	**(6,710)**	3,543
Tax effect of non-deductible expenses	**7,974**	46
Tax effect of non-taxable income	**(13,334)**	(8,807)
Effect of tax exemptions granted to the PRC subsidiaries	**(166)**	(506)
Tax effect of unrecognised tax losses and timing differences	**12,236**	6,450
Tax expenses for the year	**–**	726

At 31st December 2008, the Group had unrecognised deferred tax assets of approximately HK$40,107,000 (2007: approximately HK$21,990,000) in respect of the tax losses and other temporary differences. As it is not probable that taxable profits will be available against which the deductible temporary differences and the unused tax losses of the Group can be utilized, deferred tax assets have not been recognised. Tax losses are mainly arising from certain subsidiaries operating in the PRC and will expire in five years from the year in which the losses were incurred.

Under the new PRC Enterprise income tax effective on 1st January 2008, withholding tax is imposed at a rate of 10% on dividends distributed in respect of profits earned by PRC subsidiaries from 1st January 2008 onwards. No deferred tax liabilities has been recognised as the effect of which is insignificant.

14. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to equity holders of the Company includes a loss of approximately HK$14,941,000 (2007: approximately HK$6,206,000) which has been dealt with in the financial statements of the Company.

Notes to the Financial Statements

15. (LOSS)/EARNINGS PER SHARE

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

	2008	2007
	HK$'000	HK$'000
Consolidated (loss)/profit attributable to equity holders of the Company	**(36,577)**	22,513

	2008	2007
	'000	'000
Issued ordinary shares at 1st January	**1,621,132**	1,600,000
Effect of share options exercised	**6,697**	9,643
Weighted average number of ordinary shares for basic (loss)/earnings per share	**1,627,829**	1,609,643
Effect of dilutive potential ordinary shares:		
Exercise of share options	**N/A**	69,920
Weighted average number of ordinary shares for diluted earnings per share	**N/A**	1,679,563
(Loss)/Earnings per share *(Note)*:		
– Basic	**(2.25) cents**	1.40 cents
– Diluted*	**N/A**	1.34 cents

Note:

The weighted average number of ordinary shares for basic (loss)/earnings per share has been adjusted for the Share Subdivision in 2007 *(note 28(a))*.

* *Diluted loss per share for 2008 is not shown because the potential ordinary shares are anti-dilutive and would decrease the loss per share.*

16. INVESTMENT PROPERTIES

	Group	
	2008	2007
	HK$'000	HK$'000
At fair value		
At beginning of year	**29,600**	26,700
Fair value (loss)/gain	**(5,300)**	2,900
At balance sheet date	**24,300**	29,600

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

The investment properties were revalued as at 31st December 2008 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 held for own use HK$'000 *(Note (a))*	Leasehold improvements HK$'000	Office equipment, furniture and fixtures HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
Reconciliation of carrying amounts – year ended 31st December 2007						
At beginning of year	75,318	6,557	3,084	27,955	1,424	114,338
Additions	–	65	1,089	260	951	2,365
Disposals	–	–	–	(4)	(147)	(151)
Depreciation	(2,419)	(1,101)	(793)	(3,230)	(210)	(7,753)
Disposal of subsidiaries	–	(499)	(911)	–	–	(1,410)
Reclassification	–	7,718	(338)	(7,380)	–	–
Exchange realignment	5,394	398	124	1,938	99	7,953
At balance sheet date	78,293	13,138	2,255	19,539	2,117	115,342
Reconciliation of carrying amounts – year ended 31st December 2008						
At beginning of year	78,293	13,138	2,255	19,539	2,117	115,342
Additions	–	570	1,177	114	–	1,861
Impairment loss *(Note (b))*	–	–	–	(6,137)	–	(6,137)
Disposals	–	–	(4)	(3)	–	(7)
Depreciation	(2,922)	(1,625)	(851)	(3,185)	(497)	(9,080)
Exchange realignment	4,806	791	124	1,125	92	6,938
At balance sheet date	**80,177**	**12,874**	**2,701**	**11,453**	**1,712**	**108,917**
At 31st December 2007						
Cost	87,922	18,240	6,416	30,320	4,131	147,029
Accumulated depreciation	(9,629)	(5,102)	(4,161)	(10,781)	(2,014)	(31,687)
	78,293	13,138	2,255	19,539	2,117	115,342
At 31st December 2008						
Cost	93,356	19,889	7,934	32,323	4,346	157,848
Accumulated depreciation and impairment loss	(13,179)	(7,015)	(5,233)	(20,870)	(2,634)	(48,931)
	80,177	**12,874**	**2,701**	**11,453**	**1,712**	**108,917**

Notes:

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

(b) Impairment loss has been recognised during the year in respect of certain plant and machinery for the production of audio-visual products.

Notes to the Financial Statements

18. PREPAID LEASE PAYMENTS

Prepaid lease payments represent cost paid for medium-term leasehold land in the PRC. The cost is amortised over the leasehold period. The amount to be amortised more than twelve months after the balance sheet date amounted to approximately HK$13,476,000 (2007: approximately HK$13,021,000). The amount to be amortised within the next twelve months after the balance sheet date of approximately HK$351,000 (2007: approximately HK$330,000) is included in current assets.

19. INTANGIBLE ASSETS

Group

	Patents and trademarks HK$'000	**Film and musical recording rights** HK$'000	**Total** HK$'000
Reconciliation of carrying amounts – year ended 31st December 2007			
At beginning of year	373	508	881
Disposal of subsidiaries	–	(507)	(507)
Impairment loss	(169)	–	(169)
Amortisation	(204)	–	(204)
Exchange realignment	–	(1)	(1)
At balance sheet date	–	–	–
Reconciliation of carrying amounts – year ended 31st December 2008			
At beginning of year	–	–	–
Additions	1,587	–	1,587
Impairment loss	(841)	–	(841)
Amortisation	(729)	–	(729)
Exchange realignment	(17)	–	(17)
At balance sheet date	**–**	**–**	**–**
At 31st December 2007			
Cost	7,106	5,319	12,425
Accumulated amortisation and impairment losses	(7,106)	(5,319)	(12,425)
	–	–	–
At 31st December 2008			
Cost	9,055	5,647	14,702
Accumulated amortisation and impairment losses	(9,055)	(5,647)	(14,702)
	–	**–**	**–**

Notes to the Financial Statements

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 on information home appliances and miscellaneous products.

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	
	2008	2007
	HK$'000	HK$'000
		(Restated)
Unlisted shares, at cost	**176,000**	176,000
Amounts due from subsidiaries	**448,624**	454,751
	624,624	630,751
Amounts due to subsidiaries	**(34,872)**	(34,872)

The amounts due from/(to) subsidiaries are unsecured, interest-free and repayable on demand.

Details of subsidiaries which principally affected the results, assets or liabilities of the Group as at 31st December 2008 are set out in note 37.

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2008	2007
	HK$'000	HK$'000
Unlisted equity securities		
– Equity interest in JI *(Note)*	**1,128,403**	3,954,047

Notes to the Financial Statements

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

Note:

Pursuant to an agreement dated 10th August 2004, the Group through its wholly-owned subsidiary Beijing Golden Yuxing Electronics and Technology Company Limited ("Golden Yuxing") acquired a 10.435% equity interest in Shenzhen Jiangnan Industrial Development Co., Ltd ("JI"), a company which holds, among others, shares of Ping An Insurance (Group) Company of China Limited ("Ping An Shares") which was listed in the Shanghai Stock Exchange in the PRC on 1st March 2007, for a consideration of RMB217,000,000 (equivalent to approximately HK$204,274,000) (the "Acquisition") from Sanshui Jianlibao Health Industry Investment Co., Ltd ("SJHII"), a company in which Mr. Zhu Wei Sha, a director of the Company, had an effective 8.1% equity interest. Mr. Zhu Wei Sha ceased to have any equity interests in SJHII after November 2004. The said consideration was determined with reference to the value of 51,000,000 Ping An Shares held directly by JI.

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

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

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

In 2006, Golden Yuxing further acquired 15.175% and 11.05% equity interest in JI for considerations of RMBNil and RMB1 respectively pursuant to a share capital reorganisation of JI and had since held a total of 36.66% equity interest in JI, representing an equivalent interest in 51,000,000 Ping An Shares. In the opinion of the Directors, Golden Yuxing has no significant influence over JI as the other 63.34% equity interest is controlled by another shareholder, who also manages all significant and day-to-day operations of JI.

On 24th October 2007, a moratorium on the 36.66% equity interest in JI, and hence on its undertaking and all assets including the 51,000,000 Ping An Shares, currently held by Golden Yuxing was imposed by the People's Court of Beijing in relation to the repayment arrangement between Golden Yuxing and Sheng Bang Qiang Dian Electronics (Shenzhen) Co., Ltd. ("Shenzhen Sheng Bang"), both of which are wholly-owned subsidiaries of the Group. In addition, the Foshan Middle Court imposed two standby moratoriums on 24th October 2007 and 30th October 2007 respectively on the 4.6958% and 11.8371% equity interest in JI held by Golden Yuxing.

In December 2007, Guangdong Jianlibao Group Company Limited ("JLB Group") served a petition to the Higher People's Court of the Guangdong Province in the PRC ("Guangdong Higher Court") to institute a civil action against Golden Yuxing as purchaser and SJHII as vendor, claiming, among other matters, that the sale by SJHII to Golden Yuxing in August 2004 of 10.435% (which was subsequently increased to 36.66% pursuant to an adjustment of shareholders' equity interest in March and November 2006 respectively) equity interest in JI, a company whose principal assets were 479,117,788 Ping An Shares (subsequently reduced to 139,112,886 Ping An Shares as at 31st December 2007).

Notes to the Financial Statements

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

Note: (Continued)

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

On 7th January 2009, the Group received a judgment dated 23rd December 2008 from the Guangdong Higher Court which ruled that the Acquisition and the registration of the transfer of the related equity interest in JI were legally valid and the claim submitted by the JLB Group to invalidate the Acquisition was rejected.

According to the above judgment, the JLB Group shall reserve the right to appeal to the Supreme People's Court of the PRC (the "Supreme Court") within 15 days from the above judgment being served on the JLB Group. As at the date of this report, the Group has not received any notification from the Supreme Court which indicates that the JLB Group has initialled a formal appeal to continue defending the case.

As at 31st December 2008, the equity interest in JI held by the Group was revalued by Vigers Appraisal & Consulting Limited, an independent qualified professional valuer not connected with the Group, to approximately RMB995,138,000 (equivalent to approximately HK$1,128,403,000) (2007: RMB3,702,570,000 (equivalent to approximately HK$3,954,047,000)). The valuation was arrived at by reference to the PRC audited financial statements of JI as at 31st December 2008 and adjusted by the market value of 51,000,000 Ping An Shares as at 31st December 2008. The Group recorded a revaluation deficit on the interests in JI of approximately RMB2,707,431,000 (equivalent to approximately HK$3,069,998,000) (2007: a revaluation surplus of approximately RMB1,595,270,000 (equivalent to approximately HK$1,703,620,000)) as at 31st December 2008.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2008	2007
	HK$'000	HK$'000
		(Restated)
Held-for-trading investments (at market value):		
Listed equity securities in Hong Kong	**3,414**	4,271
Listed equity securities outside Hong Kong	**432**	951
Investment funds	**1,055**	–
	4,901	5,222

Notes to the Financial Statements

23. INVENTORIES

	Group	
	2008	2007
	HK$'000	HK$'000
Merchandise	**3,085**	7,775
Raw materials	**14,615**	6,228
Work-in-progress	**461**	5,476
Finished goods	**8,660**	3,437
	26,821	22,916

24. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade and bills receivables	**36,845**	31,544	**–**	–
Less: Impairment in respect of trade receivables	**(5,058)**	(2,583)	**–**	–
	31,787	28,961	**–**	–
Other receivables	**19,319**	15,019	**–**	–
Prepayments and deposits	**4,078**	3,689	**601**	290
	55,184	47,669	**601**	290

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

Notes to the Financial Statements

24. TRADE AND OTHER RECEIVABLES *(Continued)*

The Group allows its trade customers with an average credit period of 30 to 90 days (2007: 60 to 90 days). The ageing analysis of trade and bills receivables (net of impairment) at the balance sheet date is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
0-30 days	**5,334**	10,387
31-60 days	**5,545**	1,872
61-90 days	**509**	1,561
Over 90 days	**20,399**	15,141
	31,787	28,961

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

The movement in the impairment in respect of trade receivables during the year is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
At 1st January	**2,583**	20,382
Impairment losses recognised	**2,351**	955
Disposal of subsidiaries	**–**	(18,859)
Exchange realignment	**124**	105
At 31st December	**5,058**	2,583

Notes to the Financial Statements

24. TRADE AND OTHER RECEIVABLES *(Continued)*

The ageing analysis of trade and bills receivables (net of impairment) that are neither individually nor collectively considered to be impaired are as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Neither past due nor impaired	**8,427**	12,020
Less than 3 months past due	**10,803**	14,150
3 months to 6 months past due	**9,824**	–
6 months to 9 months past due	**38**	–
Past due over 9 months	**2,695**	2,791
Past due but not impaired	**23,360**	16,941
	31,787	28,961

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

25. TRADE AND OTHER PAYABLES

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables *(Note)*	**20,473**	23,501	**–**	–
Other payables	**10,508**	11,719	**10**	1,650
Accruals	**19,552**	6,043	**370**	440
	50,533	41,263	**380**	2,090

Note:

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

	Group	
	2008	2007
	HK$'000	HK$'000
0-30 days	**6,976**	7,012
31-60 days	**3,227**	2,393
61-90 days	**713**	1,261
Over 90 days	**9,557**	12,835
	20,473	23,501

Notes to the Financial Statements

26. BANK LOANS

Bank loans comprises:

	Group	
	2008	2007
	HK$'000	HK$'000
Secured	**14,354**	39,829
On demand or within one year	**1,015**	25,384
Between one and two years	**1,041**	917
Between two and five years	**3,281**	2,997
Over five years	**9,017**	10,531
	14,354	39,829
Less: current portion	**(1,015)**	(25,384)
Non-current portion	**13,339**	14,445

As at 31st December 2008, interests were charged on the bank loans at rates ranging from 2.25%-2.5% (2007: 4.3%-6.6%) per annum. The bank loans were secured by the assets of the Group as disclosed in note 30.

27. PROVISIONS

Provisions for litigation

	Group	
	2008	2007
	HK$'000	HK$'000
At beginning of year	**1,113**	–
Utilised	**(891)**	–
Write-back	**(234)**	–
Provisions made	**–**	1,113
Exchange realignment	**12**	–
At balance sheet date	**–**	1,113

Notes to the Financial Statements

28. SHARE CAPITAL

	Number of shares		Share capital	
	31st December 2008 '000	31st December 2007 '000	**31st December 2008 HK$'000**	31st December 2007 HK$'000
Authorised:				
At beginning of year				
Ordinary shares of HK$0.025 each (2007: HK$0.1 each)	**8,000,000**	2,000,000	**200,000**	200,000
Subdivision of one share of HK$0.1 each into four shares of HK$0.025 each *(note (a))*	**–**	6,000,000	**–**	–
At end of year				
Ordinary shares of HK$0.025 each	**8,000,000**	8,000,000	**200,000**	200,000
Issued and fully paid:				
At beginning of year				
Ordinary shares of HK$0.025 each (2007: HK$0.1 each)	**1,621,132**	400,000	**40,528**	40,000
Subdivision of one share of HK$0.1 each into four shares of HK$0.025 each *(note (a))*	**–**	1,200,000	**–**	–
Exercise of share options *(note (b))*	**7,676**	21,132	**192**	528
At end of year				
Ordinary shares of HK$0.025 each	**1,628,808**	1,621,132	**40,720**	40,528

Notes:

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

(b) For the year ended 31st December 2008, 7,676,000 (2007: 21,132,000) ordinary shares were issued at HK$0.025 per share as a result of the exercise of share options of the Company.

Notes to the Financial Statements

29. RESERVES

Group

	Share premium HK$'000 (note (b)(i))	Statutory reserves HK$'000 (note (b)(ii))	Contributed surplus HK$'000 (note (b)(iii))	Investment revaluation reserves HK$'000 (note (b)(iv))	Share option reserves HK$'000 (note (b)(v))	Translation reserves HK$'000 (note (b)(vi))	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000
At 1st January 2007	381,713	20,190	–	1,881,457	139	15,814	(34,490)	2,264,823
Issue of shares under share option scheme *(note (a))*	7,555	–	–	–	(1,797)	–	–	5,758
Reduction of share premium to offset against accumulated losses and transfer to contributed surplus	(385,022)	–	234,621	–	–	–	150,401	–
Equity-settled share-based payment	–	–	–	–	18,656	–	–	18,656
Change in fair value of available-for-sale financial assets	–	–	–	1,703,620	–	–	–	1,703,620
Exchange differences on translation of PRC subsidiaries	–	–	–	–	–	160,556	–	160,556
2006 final dividend paid	–	–	–	–	–	–	(20,151)	(20,151)
Profit for the year	–	–	–	–	–	–	22,513	22,513
At 31st December 2007 and at 1st January 2008	4,246	20,190	234,621	3,585,077	16,998	176,370	118,273	4,155,775
Issue of shares under share option scheme *(note (a))*	3,023	–	–	–	(931)	–	–	2,092
Equity-settled share-based payment	–	–	–	–	11,500	–	–	11,500
Change in fair value of available-for-sale financial assets	–	–	–	(3,069,998)	–	–	–	(3,069,998)
Exchange differences on translation of PRC subsidiaries	–	–	–	–	–	253,402	–	253,402
Loss for the year	–	–	–	–	–	–	(36,577)	(36,577)
At 31st December 2008	**7,269**	**20,190**	**234,621**	**515,079**	**27,567**	**429,772**	**81,696**	**1,316,194**

Notes to the Financial Statements

29. RESERVES *(Continued)*

Company

	Share premium HK$'000 *(note (b)(i))*	Contributed surplus HK$'000 *(note (b)(iii))*	Share option reserves HK$'000 *(note (b)(v))*	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000
At 1st January 2007	381,713	146,000	139	(123,825)	404,027
Prior year adjustment – correction of prior years errors	–	–	–	153,400	153,400
Restated *(note (c))*	381,713	146,000	139	29,575	557,427
Issue of shares under share option scheme *(note (a))*	7,555	–	(1,797)	–	5,758
Reduction of share premium to offset against accumulated losses and transfer to contributed surplus	(385,022)	234,621	–	150,401	–
Equity-settled share-based payment	–	–	18,656	–	18,656
2006 final dividend paid	–	–	–	(20,151)	(20,151)
Loss for the year	–	–	–	(6,206)	(6,206)
At 31st December 2007 and at 1st January 2008 (restated)	4,246	380,621	16,998	153,619	555,484
Issue of shares under share option scheme *(note (a))*	3,023	–	(931)	–	2,092
Equity-settled share-based payment	–	–	11,500	–	11,500
Loss for the year	–	–	–	(14,941)	(14,941)
At 31st December 2008	**7,269**	**380,621**	**27,567**	**138,678**	**554,135**

Notes to the Financial Statements

29. RESERVES *(Continued)*

Notes:

(a) *Issue of shares under share option scheme*

For the year ended 31st December 2008, options were exercised to subscribe for 7,676,000 (2007: 21,132,000) ordinary shares in the Company at a consideration of approximately HK$2,284,000 (2007: approximately HK$6,286,000) of which approximately HK$192,000 (2007: approximately HK$528,000) was credited to share capital and the balance of approximately HK$2,092,000 (2007: approximately HK$5,758,000) was credited to the share premium account. Approximately HK$931,000 (2007: approximately HK$1,797,000) has been transferred from the share option reserves to the share premium account in accordance with policy set out in note 2(t).

(b) *Nature and purpose of reserves*

(i) Share premium

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

(ii) Statutory reserves

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

No transfer of statutory reserves has been made for the year (2007: HK$Nil).

(iii) Contributed surplus

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

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

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

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

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

Notes to the Financial Statements

29. RESERVES *(Continued)*

Notes: (Continued)

(b) Nature and purpose of reserves (Continued)

(iv) Investment revaluation reserves

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

(v) Share option reserves

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

(vi) Translation reserves

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

(c) Prior year adjustment

The prior year adjustment represents the correction of errors in respect of overstatement of impairment on interests in subsidiaries of HK$153,400,000. The previous period financial statements of the Company have been restated to correct this error.

At 31st December 2008, the total contributed surplus and retained profits of approximately HK$519,299,000 (2007 (restated): approximately HK$534,240,000) is available for distribution to equity holders of the Company.

30. PLEDGE OF ASSETS

At 31st December 2008, the Group has pledged the following assets to secure the banking facilities:

(a) Investment properties of the Group with carrying value of HK$24,300,000 (2007: HK$29,600,000);

(b) Prepaid lease payments and buildings of the Group with carrying values of approximately HK$8,007,000 (2007: approximately HK$7,732,000) and approximately HK$52,741,000 (2007: approximately HK$51,480,000) respectively.

Notes to the Financial Statements

31. CONTINGENT LIABILITIES

(a) In December 2007, there was a pending litigation in which a customer claimed against Shenzhen Sheng Bang, a wholly-owned subsidiary of the Group, in the People's Court of Shenzhen Nanshan Region for approximately HK$3.4 million (equivalent to RMB3.0 million) for loss alleged to have been suffered as a result of quality problems of products supplied by Shenzhen Sheng Bang. As at the date of this report, to the best estimation of the Directors, the outcomes of this litigation and claim would not have a material adverse effect on the Group and no provision had been made in the consolidated financial statements.

(b) In December 2008, JLB Group initialled proceedings against (1) Mr. Zhang Hai, former chairman and chief executive officer of JLB Group, and the controlling shareholders, actual controller, directors, supervisors, senior management of Foshan Zhixing Technology Co., Limited ("Foshan Zhixing") for infringing the interest of JLB Group; (2) Mr. Zhang Hai and the controlling shareholders, actual controller, directors, supervisors, senior management of Shenzhen Sheng Bang for infringing the interest of JLB Group; and (3) Mr. Zhang Hai and the controlling shareholders, actual controller, directors, supervisors, senior management of Golden Yuxing for infringing the interest of JLB Group (collectively the "Actions"). Foshan Zhixing, Shenzhen Sheng Bang and Golden Yuxing are wholly-owned subsidiaries of the Group.

The People's Court of San Shui District, Foshan City, Guangdong Province (the "Court of San Shui") issued judgments ((2009) San Fa Min Er Chu Zi No. 38-1), ((2009) San Fa Min Er Chu Zi No. 39-1) and ((2009) San Fa Min Er Chu Zi No. 40-1) and summons dated 9th December 2008, which stated that, on application by JLB Group, the Court of San Shui made orders of (1) freezing the bank deposits of Mr. Zhang Hai and Foshan Zhixing total amounting to RMB10,100,000 or sealing up and distraining its assets of such equivalent amount; (2) freezing the bank deposits of Mr. Zhang Hai and Shenzhen Sheng Bang total amounting to RMB40,620,000 or sealing up and distraining its assets of such equivalent amount; and (3) freezing the bank deposits of Mr. Zhang Hai and Golden Yuxing total amounting up to RMB46,000,000 or sealing up and distraining its assets of an equivalent amount, together with a standby moratorium dated 13th January 2009 referring to Golden Yuxing's 36.66% equity interest in JI from the Court of San Shui.

As at 31st December 2008, certain cash and bank balances of the Group with carrying value of approximately HK$914,000 (equivalent to RMB806,000) were frozen by the Court of San Shui.

As at the date of this report, no trial or judgement for the Actions has been received from the Court of San Shui yet. The Directors have sought legal advice from its PRC lawyers and are of the view that the Actions are based on unsubstantiated and invalid grounds and the imposition of standby moratorium to Golden Yuxing's 36.66% equity interest in JI is beyond the level of jurisdiction to be exercised by the Court of San Shui and thus contradicts the PRC law. The Directors do not believe the Actions will have any significant impact on the financial position of the Group and no provision is considered necessary.

Notes to the Financial Statements

32. OPERATING LEASE COMMITMENTS

(a) The Group as lessee

At 31st December 2008, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Within one year	**1,524**	2,415
In the second to fifth year inclusive	**330**	355
	1,854	2,770

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

(b) The Group as lessor

Property rental income earned during the year was HK$1,191,000 (2007: HK$996,000). The properties are expected to generate rental yields of 5.1% (2007: 3.4%) on an ongoing basis. All of the properties held have committed tenants for the next 3 years.

At 31st December 2008, the Group had contracted with tenants for the following future minimum lease payments:

	Group	
	2008	2007
	HK$'000	HK$'000
Within one year	**1,464**	581
In the second to fifth year inclusive	**2,196**	–
	3,660	581

Notes to the Financial Statements

33. SHARE OPTION SCHEME

The Company's share option scheme (the "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 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 Director (including Independent Non-executive Director) of any member of the Group or any Invested Entity;

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

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

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

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

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

Notes to the Financial Statements

33. SHARE OPTION SCHEME *(Continued)*

The total number of shares in respect of which share options may be granted under the Scheme and any other schemes is not permitted to exceed 10% of the shares of the Company in issue at the date of shareholders' approval of the 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 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. At the annual general meeting ("AGM") which was held on 26th June 2008, the Scheme Mandate Limit was refreshed and approved by the shareholders, so that the maximum number of shares which fall to be issued upon exercise of all options that may be granted by the Company would be 162,794,000 shares, representing 10% of the shares in issue as at the date of the approval of the refreshment of the Scheme Mandate Limit at the AGM. 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 months period up to the date of grant, then the grant must be approved in advance by the Company's shareholders.

An offer of the share options shall be deemed to have been accepted by way of payment of a consideration of HK$1.00 by the Eligible Participants per each share option 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 Scheme at any time during the effective period of the 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 shares for the five business days immediately preceding the date of grant and the nominal value of the shares of the Company.

Notes to the Financial Statements

33. SHARE OPTION SCHEME *(Continued)*

At 31st December 2008, the total number of shares in respect of which share options had been granted and remained outstanding under the Scheme was 125,384,000 (2007: 136,732,000) representing 7.7% (2007: 8.4%) of the shares of the Company in issue at that date.

(a) Movements in share options:

	Number of options	
	2008	2007
At 1st January	**136,732,000**	26,200,000
Effect on share subdivision	**–**	78,600,000
Granted during the year	**–**	55,200,000
Exercised during the year	**(7,676,000)**	(21,132,000)
Cancelled/lapsed during the year	**(3,672,000)**	(2,136,000)
At 31st December	**125,384,000**	136,732,000
Options vested at 31st December	**125,384,000**	136,732,000

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

Date of grant	**Exercise period**	**Exercise price**	**Number of options**	
		HK$	**2008**	2007
26th December 2006	26th December 2006 – 17th May 2013	0.2975*	**70,184,000**	81,532,000
4th September 2007	4th September 2007 – 17th May 2013	1.265	**55,200,000**	55,200,000
			125,384,000	136,732,000

* *Exercise price at HK$1.19 before Share Subdivision (note 28(a)).*

Notes to the Financial Statements

33. SHARE OPTION SCHEME *(Continued)*

(c) Details of the movement of share options granted during the years ended 31st December 2008 and 2007 to subscribe for the shares in the Company are as follows:

For the year ended 31st December 2008

	Date of grant	Exercisable period	Exercise price HK$	At 1st January 2008	Exercised during the year	Granted during the year	Cancelled/ lapsed during the year	At 31st December 2008
Directors								
– Mr. Wang An Zhong	26th December 2006	26th December 2006 – 17th May 2013	0.2975	4,000,000	(2,400,000)	–	–	1,600,000
– Mr. Shi Guang Rong	26th December 2006	26th December 2006 – 17th May 2013	0.2975	1,200,000	(600,000)	–	–	600,000
– Mr. Wu Jia Jun	26th December 2006	26th December 2006 – 17th May 2013	0.2975	960,000	–	–	–	960,000
– Mr. Zhong Peng Rong	26th December 2006	26th December 2006 – 17th May 2013	0.2975	1,600,000	–	–	–	1,600,000
– Ms. Shen Yan	26th December 2006	26th December 2006 – 17th May 2013	0.2975	960,000	–	–	–	960,000
Continuous contract employees	26th December 2006	26th December 2006 – 17th May 2013	0.2975	72,812,000	(4,676,000)	–	(3,672,000)	64,464,000
	4th September 2007	4th September 2007 – 17th May 2013	1.265	55,200,000	–	–	–	55,200,000
				136,732,000	(7,676,000)	–	(3,672,000)	125,384,000
Exercisable at 31st December 2008								125,384,000
Weighted average exercise price (HK$)				0.6881	0.2975	–	0.2975	0.7234

Notes to the Financial Statements

33. SHARE OPTION SCHEME *(Continued)*

(c) *(Continued)*

For the year ended 31st December 2007

	Date of grant	Exercisable period	Exercise price HK$	At 1st January 2007	Effect on share subdivision	Exercised during the year	Granted during the year	Cancelled/ lapsed during the year	At 31st December 2007
Directors									
– Mr. Wang An Zhong	26th December 2006	26th December 2006 – 17th May 2013	0.2975*	1,000,000	3,000,000	–	–	–	4,000,000
– Mr. Shi Guang Rong	26th December 2006	26th December 2006 – 17th May 2013	0.2975*	500,000	1,500,000	(800,000)	–	–	1,200,000
– Mr. Wu Jia Jun	26th December 2006	26th December 2006 – 17th May 2013	0.2975*	400,000	1,200,000	(640,000)	–	–	960,000
– Mr. Zhong Peng Rong	26th December 2006	26th December 2006 – 17th May 2013	0.2975*	400,000	1,200,000	–	–	–	1,600,000
– Ms. Shen Yan	26th December 2006	26th December 2006 – 17th May 2013	0.2975*	400,000	1,200,000	(640,000)	–	–	960,000
Continuous contract employees	26th December 2006	26th December 2006 – 17th May 2013	0.2975*	23,500,000	70,500,000	(19,052,000)	–	(2,136,000)	72,812,000
	4th September 2007	4th September 2007 – 17th May 2013	1.265	–	–	–	55,200,000	–	55,200,000
				26,200,000	78,600,000	(21,132,000)	55,200,000	(2,136,000)	136,732,000
Exercisable at 31st December 2007									136,732,000
Weighted average exercise price (HK$)				0.2975	0.2975	0.2975	1.265	0.2975	0.6881

* *Exercise price at HK$1.19 before Share Subdivision (note 28(a)).*

Notes to the Financial Statements

33. SHARE OPTION SCHEME *(Continued)*

(d) The cost of the options granted on 26th December 2006 and 4th September 2007 for the year ended 31st December 2008 were approximately HK$1,352,000 (2007: approximately HK$7,216,000) and approximately HK$10,148,000 (2007: approximately HK$11,440,000) respectively. The cost of share options granted is estimated on the date of the grant using the Black-Scholes Option Model with the following parameters:

Date of grant	26th December 2006	4th September 2007
Number of shares issuable under options granted	104,800,000	55,200,000
Exercise price	HK$0.2975*	HK$1.265
5 years and 7 years Exchange Fund Notes, risk-free rate interest	3.71%	4.26%
Volatility#	80%	80%
Expected dividend yield	2%	2%
Expected life	2.8 years to 5.8 years	3 years to 5 years

* *Exercise price at HK$1.19 before Share Subdivision (note 28(a)).*

\# *The volatility measured of the standard deviation of expected share price returns is based on statistical analysis of daily share prices annualized for one year immediately preceding the grant date.*

34. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "MPF") for all qualifying employees in Hong Kong. The assets of the MPF 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 MPF, which contribution is matched by employees.

The employees of the Group's subsidiaries 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 statement of approximately HK$5,091,000 (2007: approximately HK$2,825,000) represents contributions paid and payable to these schemes by the Group in respect of the current year.

Notes to the Financial Statements

35. RELATED PARTY TRANSACTIONS

Key management compensation

The remuneration of Directors and other members of key management during the year are as follows:

	2008 HK$'000	2007 HK$'000
Salaries and other allowances	**2,808**	3,029
Retirement scheme contributions	**85**	49
Share option benefit	**350**	2,076
	3,243	5,154

36. COMPARATIVE FIGURES

Certain comparative figures in the notes to the consolidated financial statements have been reclassified by the Group to conform to the current year's presentation of financial statements.

37. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st December 2008 are as follows:

Name of subsidiary	Place of incorporation/ kind of legal entity	Principal activities/ place of operation	Particulars of issued share capital/ registered capital	Interest held
Direct subsidiaries:				
First I-Tech Limited	Republic of Mauritius ("Mauritius")/limited liability company	Investment holding/ Hong Kong ("HK")	1 ordinary share of US$1	100%
Yuxing Group (International) Limited	British Virgin Islands ("BVI")/limited liability company	Investment holding/ the PRC and HK	2,000 ordinary shares of US$1 each	100%
Indirect subsidiaries:				
Beijing Yuxing Software Co., Ltd.	The PRC/foreign wholly owned enterprise	Research and development and software design/ the PRC	RMB10,610,850	100%
E-Century Investments Limited	Mauritius/limited liability company	Holding of intangible assets/the PRC	1 ordinary share of US$1	100%

Notes to the Financial Statements

37. 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
Foshan Zhixing	The PRC/foreign wholly owned enterprise	Research and development of broadband communication/the PRC	RMB53,512,424	100%
Golden Yuxing	The PRC/sino-foreign co-operative joint venture	Research and development, design, marketing, distribution and sales of information appliances/ the PRC	US$4,582,000	100%
Shenzhen Sheng Bang	The PRC/foreign wholly owned enterprise	Manufacturing, distribution and sales of information home appliances and electronic components/ the PRC	RMB74,400,000	100%
Zhongshan Sheng Bang	The PRC/foreign wholly owned enterprise	Manufacturing, distribution and sales of information home appliances and electronic components/ the PRC	RMB122,957,636	100%
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 at the end of the year or at any time during the year.