Yuxing InfoTech Investment Holdings Limited

裕興科技投資控股有限公司*

(Incorporated in Bermuda with limited liability)

Stock Code: 8005

Annual Report 2012

* for identification purposes only

Yuxing InfoTech Investment Holdings Limited

Annual Report 2012

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.

This annual report, for which the directors (the "Directors") of Yuxing InfoTech Investment Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this annual report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make this annual report or any statement in this annual report misleading.

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Corporate Profile

The Company and its subsidiaries (collectively the "Group") commenced its business through Beijing Golden Yuxing Electronics and Technology Company Limited ("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 ("R&D"), design, manufacturing, marketing and sale of information home appliances ("IHA") (major in set-top boxes ("STB")) 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 R&D 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, the PRC and overseas markets.

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

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

NOMINATION COMMITTEE

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

AUDITOR

Mazars CPA Limited
Certified Public Accountants

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
Bank of China
Shanghai Commercial Bank Limited
DBS Bank (Hong Kong) Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11, Bermuda

PLACES OF BUSINESS

Hong Kong
Units 2107-8
21/F, Exchange Tower
33 Wang Chiu Road
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
HSBC Securities Services (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

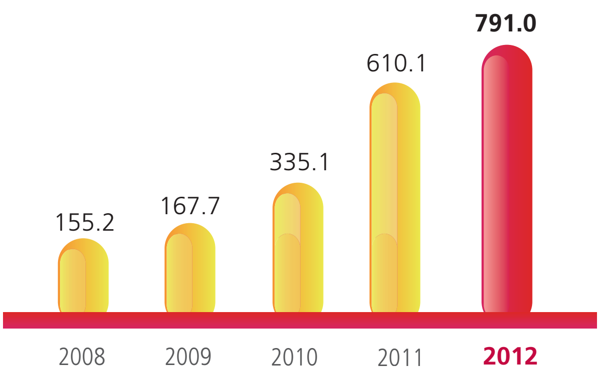
Financial Highlights and Calendar

FINANCIAL HIGHLIGHTS

	2012 HK$'000	2011 HK$'000
Revenue		
Turnover	**790,983**	610,144
Profitability		
(Loss)/Profit from operations	**(512,880)**	39,780
(Loss)/Profit attributable to owners of the parent	**(499,954)**	33,984
Net worth		
Total equity attributable to owners of the parent	**2,345,516**	2,261,674
Per share		
(Loss)/Earnings per share – Basic	**(28.70) cents**	1.96 cents
Net assets attributable to owners of the parent per share	**1.34 dollars**	1.30 dollars

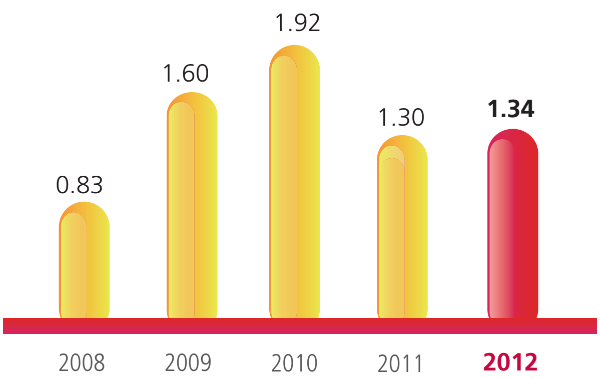
TURNOVER

HK$ million



NET ASSETS ATTRIBUTABLE TO OWNERS OF THE PARENT PER SHARE

HK$



FINANCIAL CALENDAR

Results for the year	Announcement on 20th March 2013
Annual report	Despatched to shareholders in late March 2013
Annual general meeting	16th May 2013

Chairman's Statement

Zhu Wei Sha
Chairman

Chairman's Statement

Spring has arrived – everything is coming back to life, I am happy to extend my greetings to all of you!

Last year was a crucial year, the dispute over the Group's indirect economic interest in Ping An Insurance (Group) Company of China Ltd. has achieved major breakthrough. Problems enmeshing the Group for many years will be resolved, so that we can focus on the healthy development of our Group. The day we looked forward to over the years has come.

Our core business, Internet Protocol Television STB, sustained a steady growth momentum and significant increase in revenue thanks to our remarkable achievements in market expansion.

The recent convergence of television, telecom and internet as well as coordination of software and hardware in mobile internet industry will definitely create new opportunities for us, and make new room for innovative products over the next decade. We will concentrate on internet applications, realise our strengths, and keep changing and improving, so as to outperform our competitors and provide satisfactory return to our shareholders.

A substantial part of our assets are financial assets which provide us with a unique advantage in both the current competitive environment and the future sustainable development. We will adhere to the principles of "being secure and prudent" leveraging on such advantage, we will grasp every opportunity to further the development of the Group. We are prepared to overcome challenges, once again to deliver impressive results!

Zhu Wei Sha
Chairman

Hong Kong, 20th March 2013

Group Financial Summary

CONSOLIDATED RESULTS

For the year ended 31st December

	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000
Turnover	**790,983**	610,144	335,099	167,673	155,167
(Loss)/Profit before taxation	**(496,621)**	35,352	14,999	(24,118)	(36,577)
Taxation	**(3,543)**	(1,368)	(190)	–	–
(Loss)/Profit for the year	**(500,164)**	33,984	14,809	(24,118)	(36,577)
Non-controlling interests	**210**	–	–	–	–
(Loss)/Profit attributable to owners of the parent	**(499,954)**	33,984	14,809	(24,118)	(36,577)

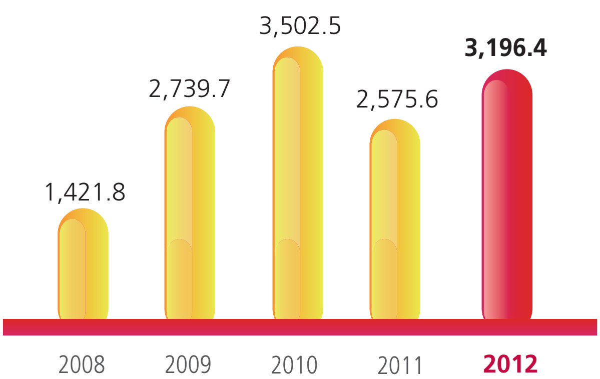
CONSOLIDATED ASSETS AND LIABILITIES

As at 31st December

	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000
Total assets	**3,196,402**	2,575,574	3,502,533	2,739,709	1,421,831
Total liabilities	**(838,445)**	(313,900)	(177,029)	(123,501)	(64,917)
Non-controlling interests	**(12,441)**	–	–	–	–
Total equity attributable to owners of the parent	**2,345,516**	2,261,674	3,325,504	2,616,208	1,356,914

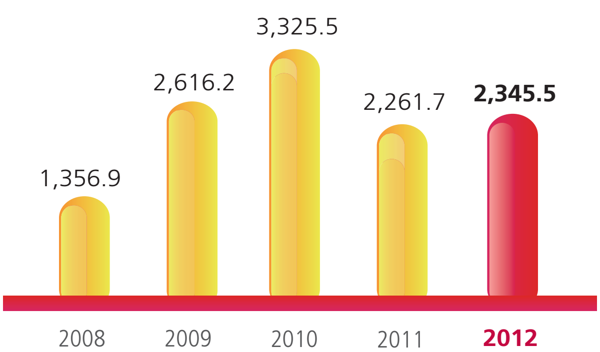
TOTAL ASSETS

HK$ million



TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT

HK$ million



Management Discussion and Analysis

FINANCIAL REVIEW

Turnover and Gross Profit

During the year under review, the Group's total turnover and gross profit increased by 29.6% and 7.2% to approximately HK$791.0 million and HK$93.1 million respectively for the year ended 31st December 2012 ("the Year") as compared with 2011. This increase in turnover and gross profit was mainly attributable to the rapid growth of the global Internet Protocol Television ("IPTV") market, which together with the right positioning of the Group's products, had successfully captured the demand of users. Meanwhile, the Group, with its established technology and premium customer service, has won long-lasting reliance and trust from its business partners and customers. As a result, the Group's turnover under the IHA segment derived from the PRC and overseas markets for the Year increased significantly to approximately HK$517.5 million and HK$199.4 million respectively representing significant increases of 31.7% and 30.1% as compared with last year.

Operating Results

Other Revenue and Net Income and Share of Results of A Jointly Controlled Entity

Other revenue and net income of the Group for the Year decreased significantly by 76.2% to approximately HK$9.5 million (2011: approximately HK$40.0 million), which was primarily due to different accounting treatments as a result of reclassification of the Group's 36.66% equity interest in Gongbujiangda Jiangnan Industrial Development Company Limited ("JI") from available-for-sale financial assets to interest in a jointly controlled entity as explained below. As disclosed in the announcements of the Company dated 15th May 2012 and 29th June 2012, another shareholder of JI had agreed to transfer its 63.34% equity interest in JI (the "JI Equity Transfer") to 林芝正大環球投資有限公司 (the "New JI Shareholder"). On 8th June 2012, Golden Yuxing, a wholly-owned subsidiary of the Company, entered into a bilateral agreement (the "Agreement") with the New JI Shareholder for the purpose of governing their respective interests in A shares of Ping An Insurance (Group) Company of China, Ltd. ("Ping An Shares") through their equity interests in JI. The Agreement became effective immediately upon completion of the relevant registration of JI Equity Transfer on 14th June 2012. According to the Agreement, all significant matters of JI have to be approved by both shareholders. In the opinion of the Directors, whilst both Golden Yuxing and the New JI Shareholder share joint control over the economic activities of JI and none of the participating parties has unilateral control over the economic activities of JI, the associated economic benefits of the 51 million Ping An Shares attributed to Golden Yuxing remain unchanged. The Group's 36.66% equity interest in JI has therefore become an interest in a jointly controlled entity on 14th June 2012. As a result, the Group recognised the share of results of a jointly controlled entity of approximately HK$23.7 million for the Year (2011: HK$Nil). At the same time, the Group recognised the dividend income from its indirect investment in 51 million Ping An Shares in other revenue and net income of approximately HK$33.8 million for the year ended 31st December 2011 and no such dividend income was recognised in the consolidated financial statements of the Group for the Year.

Fair Value Change on Investment Properties

The Group recognised a revaluation gain of approximately HK$10.2 million on the Group's investment properties for the Year (2011: approximately HK$3.2 million).

Management Discussion and Analysis

FINANCIAL REVIEW *(Continued)*

Operating Results *(Continued)*

Operating Expenses

During the year under review, the Group actively expanded its products into the PRC and overseas markets which led to an increase in its overall turnover in 2012. As a result, the Group's overall selling expenses increased by 15.4% to approximately HK$18.5 million for the Year as compared with last year. At the same time, the Group's general and administrative expenses for the Year increased by 39.7% to approximately HK$86.4 million as compared with last year. The increase in the Group's general and administrative expenses during the year under review, in addition to the above factors, was mainly due to the aforementioned factor and the increase in the Group's staff costs and legal and professional fees for handling matters concerning settlement of the legal proceedings and other matters concerning the Settlement Agreements (as defined below).

Other Operating Expenses

Other operating expenses decreased to approximately HK$2.3 million for the Year (2011: approximately HK$12.3 million). The main reason was that the Group recorded realized and unrealized losses on certain financial assets totaling approximately HK$0.2 million for the Year (2011: approximately HK$9.6 million).

Settlement Fee in respect of Court Settlement

References are made to the announcements of the Company dated 30th January 2013 and 4th February 2013 ("Settlement Announcements") and the circular of the Company dated 28th February 2013, Golden Yuxing and Guangdong Jianlibao Group Company Limited ("JLB Group") entered into a settlement agreement on 30th January 2013 ("Settlement Agreement") with a view to settling certain legal proceedings between them. As a number of other parties were also involved in the legal proceedings, Golden Yuxing and JLB Group entered into another settlement agreement with the other involved parties. On 4th February 2013, Golden Yuxing and certain subsidiaries of the Company, JLB Group and all other involved parties entered into the final settlement agreement ("Final Settlement Agreement", and together with Settlement Agreement, collectively referred as "Settlement Agreements") pursuant to which Golden Yuxing agreed to pay the settlement fee of RMB450.0 million ("Settlement Fee") to JLB Group or its designated entities in three tranches with a view to settling the legal proceedings and extinguishing any existing and possible claims, liabilities, or other rights and obligations that existed between the parties before signing the Final Settlement Agreement. Further details are set out in the Company's announcements dated 30th January 2013 and 4th February 2013, circular dated 28th February 2013 and note 29 to the financial statements. Taking into consideration the discount factor of the non-current portion of settlement fee payable, the Company recognised a total settlement fee in respect of court settlement of approximately RMB421.9 million (equivalent to approximately HK$518.4 million) to profit or loss for the Year, which had led the Group to record a significant loss attributable to owners of the parent for the Year.

Finance Costs

Finance costs of the Group increased to approximately HK$7.4 million for the Year (2011: approximately HK$4.4 million). Such increase in finance costs was due to an increase in short-term borrowings from banks for expansion and development the business of the Group during the year under review.

Management Discussion and Analysis

FINANCIAL REVIEW *(Continued)*

Operating Results *(Continued)*

Loss for the Year

Due to the reasons set out above, the Group recorded a loss attributable to owners of the parent of approximately HK$500.0 million for the Year, while the Group recorded a profit attributable to owners of the parent of approximately HK$34.0 million for the year ended 31st December 2011.

Liquidity, Charge on Group Assets and Financial Resources

As at 31st December 2012, the Group had net current assets of approximately HK$3.0 million. The Group had cash and bank balances and pledged bank deposits of approximately HK$62.7 million and HK$24.3 million respectively. The Group's financial resources were funded mainly by short-term bank loans and mortgage loans totaling approximately HK$100.2 million and its shareholders' funds. As at 31st December 2012, the Group's current ratio, as calculated by dividing current assets by current liabilities, was 1.0 time and the gearing ratio, as measured by total liabilities divided by total equity, was 35.6%. Hence, as at 31st December 2012, the overall financial and liquidity positions of the Group remained at a stable and healthy level.

Capital Structure

The shares of the Company were listed on GEM on 31st January 2000. The changes in the capital structure of the Company are set out in note 26 to the financial statements.

Significant Investments/Material Acquisitions and Disposals

The Group had no significant investment and no material acquisition or disposal during the year.

Segment Information

The Group's star business segment is the IHA. The total turnover of the IHA segment for the Year increased by 29.7% to approximately HK$790.1 million as compared with last year. During the Year under review, the Group had continued to expand its market share by launching its various types of STB into nearly one-third of the PRC IPTV commercial stations of different provinces and municipals through the largest telecom equipment and system provider in the PRC. Consequently, a new sales record of the IHA segment in the PRC reached approximately HK$517.5 million for the Year, representing an increase of 31.7% as compared with last year. In the overseas market, the Group's products provided quality new entertainment experience to the end users not only in the IPTV sector, but also in the music and video sector. Meanwhile, the Group maintained good cooperation relationships with various existing telecommunication operators and system integration suppliers. The Group has managed to forward continuous shipments of its products to customers in Australia, Spain and Sweden, etc, and secured a stable market position in these markets. The Group's sales in overseas markets are on the rise. As a result, overall turnover of the IHA segment in overseas markets for the Year amounted to approximately HK$199.4 million, representing a significant increase of 30.1% as compared with last year. Meanwhile, as one of the leading suppliers of IPTV STB in Hong Kong, the Group maintained great cooperation with a Hong Kong telecommunication operator in its marketing activities. The launch of its high digital STB in the market received good response from users in the third quarter of 2012, resulting the Group's turnover of the IHA segment in Hong Kong market also increased by 16.3% from last year to approximately HK$73.2 million for the Year. However, due to the significant reduction in purchase orders from a Russian customer together with the impairment on inventories of approximately HK$8.0 million in the second half of the year, the Group's profit in the IHA segment for the Year decrease by 17.1% to approximately HK$19.1 million as compared with last year.

Management Discussion and Analysis

FINANCIAL REVIEW *(Continued)*

Segment Information *(Continued)*

The Group's investing segment comprises investing in available-for-sale financial assets, trading of securities and interest in a jointly controlled entity which is principally engaged in investing in available-for-sale financial assets. This segment recorded a profit at similar level as last year of approximately HK$24.3 million for the Year (2011: approximately HK$24.5 million).

In respect of the Group's trading segment, because of the lack of new breakthrough in recent years, the Group recorded a loss of approximately HK$0.1 million for this segment for the Year (2011: approximately HK$0.3 million). As to the other operations segment of the Group, due to the increase in the rental income from leasing out properties of the Group, the result of this segment increased by 14.0% to approximately HK$3.3 million for the Year as compared with last year.

Geographical markets of the Group were mainly located in the PRC during the year under review. The turnover for the Year generated from the PRC market increased by 31.6% to approximately HK$518.3 million as compared with last year. This increase was mainly attributable to the expansion of the Group's IHA business into more provinces and cities in the PRC during the year under review. At the same time, the turnover generated from Hong Kong market also increased by 16.3% to approximately HK$73.2 million for the Year as compared with last year. As to overseas markets except the decrease in sales in Russia market, sales in Australia and other overseas markets for the Year of approximately HK$99.3 million and HK$38.2 million were recorded respectively, representing a remarkable increase of 176.4% and 94.9% respectively as compared with 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 exchange rates for United States dollars, Hong Kong dollars and Renminbi have been relatively stable for the Year and no hedging or other alternative measure has been implemented by the Group. As at 31st December 2012, the Group had no significant exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

Human Resources

As at 31st December 2012, the Group had over 880 (2011: over 830) full time employees, of which 10 (2011: 12) were based in Hong Kong and the rest were in the PRC. Staff costs of the Group amounted to approximately HK$80.4 million for the Year (2011: approximately HK$61.5 million). Increase in staff costs was mainly due to the increase in number of employees and the increase in salary of employees during the year under review. 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 basic salaries, staff benefits also include medical scheme, various insurance schemes and share option schemes.

Management Discussion and Analysis

FINANCIAL REVIEW *(Continued)*

Court Settlement

As at 31st December 2012, the Group had the following pending litigations:

(a) In December 2008, JLB Group initiated legal proceedings against (1) Mr. Zhu Wei Sha ("Mr. Zhu"), Mr. Zhang Hai ("Mr. Zhang"), former chairman and chief executive officer of JLB Group, an independent third party of the Group, and the controlling shareholders, actual controller, directors, supervisors, senior management of Golden Yuxing, Beijing Yuxing Software Company Limited ("Yuxing Software"), Foshan Sanshui Zheng Tian Technology Investment Company Limited* (佛山市三水正天科技投資有限公司) ("Zheng Tian Technology") and Beijing Ling Si Information System Company Limited ("Beijing Ling Si") for infringing the interest of JLB Group; (2) Mr. Zhu, Mr. Zhang and the controlling shareholders, actual controller, directors, supervisors, senior management of Golden Yuxing, Foshan Zhixing Technology Company Limited ("Foshan Zhixing"), Zheng Tian Technology and Beijing Ling Si for infringing the interest of JLB Group; (3) Mr. Zhu, Mr. Zhang and the controlling shareholders, actual controller, directors, supervisors, senior management of Golden Yuxing, Sheng Bang Qiang Dian Electronics (Shenzhen) Company Limited ("Shenzhen Sheng Bang"), Zheng Tian Technology and Beijing Ling Si for infringing the interest of JLB Group; (4) Mr. Zhu, Mr. Zhang and the controlling shareholders, actual controller, directors, supervisors, senior management of Golden Yuxing, Zheng Tian Technology and Beijing Ling Si for infringing the interest of JLB Group; and (5) Mr. Zhu, Mr. Zhang and the controlling shareholders, actual controller, directors, supervisors, senior management of Golden Yuxing, Zhongshan Chuangjia Electronics Technology and Development Co.,Ltd.* (中山市創嘉電子科技發展有限公司) ("Zhongshan Chuangjia"), Zheng Tian Technology and Beijing Ling Si for infringing the interest of JLB Group (collectively the "Actions"). Golden Yuxing, Yuxing Software, Foshan Zhixing and Shenzhen Sheng Bang are wholly-owned subsidiaries of the Company, while Zheng Tian Technology, Beijing Ling Si and Zhongshan Chuangjia are independent third party of the Group. The Actions were first heard in the People's Court of Sanshui District, Foshan City, Guangdong Province, the PRC (the "Court of Sanshui") and in August 2009, they were transferred to the Intermediate People's Court of Foshan, Guangdong Province, the PRC (the "Intermediate Court of Foshan").

On 20th October 2009, the Group was notified by JI that the Intermediate Court of Foshan issued a notice of enforcement to JI on 4th September 2009, ordering JI to assist in freezing Golden Yuxing's 36.66% equity interest in JI and suspending the payment of dividends attributable to Golden Yuxing in respect of its equity interest in JI for a period from 7th September 2009 to 6th September 2011. In October 2011 and October 2012, the Group was further notified by JI that the freezing period extended to September 2012, and then further extended to September 2013 respectively. According to the legal opinion dated 15th March 2013 from the Group's PRC lawyers, Golden Yuxing is entitled to receive the dividend from JI but the suspension of the dividend payment is still in force. As the above freezing order will expire in September 2013, the dividend receivable from JI amounting to approximately HK$97.5 million was classified as current asset as at 31st December 2012 (2011: approximately HK$72.3 million).

On 11th January 2011, the Group received five civil judgments all dated 30th December 2010 from the Intermediate Court of Foshan which ruled that JLB Group was awarded damages of total amount of approximately RMB96.2 million together with interests and costs to be borne by defendants including Mr. Zhu, Mr. Zhang, Golden Yuxing, Yuxing Software, Foshan Zhixing, Shenzhen Sheng Bang, Zheng Tian Technology, Beijing Ling Si and Zhongshan Chuangjia. The Company filed an appeal to the Higher People's Court of the Guangdong Province, the PRC (the "Guangdong Higher Court") against the said judgements in January 2011, and now such judgements have no legal effect and which will be superseded by the final judgement from the appeal. On 28th July 2011, the Company received summons dated 21st July 2011 from the Guangdong Higher Court, requiring Golden Yuxing, Yuxing Software, Foshan Zhixing and Shenzhen Sheng Bang, all being wholly-owned subsidiaries of the Company, to attend the court hearing of the appeals. The PRC lawyers of the Group attended the court hearing on 2nd August 2011. As at the balance sheet date, no judgement for the appeal has been received from the Guangdong Higher Court. In the circumstance, none of the wholly-owned subsidiaries of the Group which are named as defendants in the judgements stated above will be required to satisfy the judgements and pay the damages together with interests and costs awarded by the Intermediate Court of Foshan.

Management Discussion and Analysis

FINANCIAL REVIEW *(Continued)*

Court Settlement *(Continued)*

(a) *(Continued)*

As at 31st December 2012, certain cash and bank balances of the Group with carrying value of approximately HK$1.1 million (2011: approximately HK$1.1 million) were frozen by the Intermediate Court of Foshan.

(b) In 2007, JLB Group lodged a petition with the Guangdong Higher Court to institute a civil action against Golden Yuxing as purchaser and Foshan Sanshui Jianlibao Health Industry Investment Company Limited ("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 adjustments of shareholders' equity interest in 2006) equity interest in JI (the "Acquisition"), 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), was invalid (the "Litigation").

On 18th February 2008, Golden Yuxing received a notification from the Guangdong Higher Court, which stated that 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 with Golden Yuxing without JLB Group's approval or authorisation. In addition, JLB Group alleged that the aggregate investment cost exceeded 50% of Golden Yuxing's net assets thereby violating Rule 12 of the Company Law then in force in the PRC. JLB Group therefore claimed that the share sale transaction was invalid and SJHII did not have the right to transfer the legal title of the JI's shares to Golden Yuxing. JLB Group thereby demanded the reversion and return of the JI's shares from Golden Yuxing to SJHII.

On 7th January 2009, the Group was awarded a judgment dated 23rd December 2008 from the Guangdong Higher Court which ruled that (1) the Acquisition and the registration of the transfer of the related equity interest in JI were legally valid; (2) the claim submitted by JLB Group to invalidate the Acquisition was rejected; and (3) the counter-claim filed by Golden Yuxing with the Guangdong Higher Court in May 2008 as a result of JLB Group's claim was also rejected.

On 25th June 2009, Golden Yuxing was notified by the Supreme People's Court of the PRC (the "Supreme Court") that an appeal has been lodged by JLB Group, and which was accepted by the Supreme Court.

In December 2009, the Group received the ((2009) Min Er Zhong Zi No. 53) civil ruling made on 20th November 2009 from the Supreme Court which ruled that upon the hearing, with regard to the Litigation, the Supreme Court was of the view that the trial judgement of the Guangdong Higher Court misapprehended the facts and therefore ruled (1) to revoke the civil ruling issued by the Guangdong Higher Court on 23rd December 2008; and (2) to return the case to the Guangdong Higher Court for rehearing.

No final award has been obtained for the Litigation after a number of hearings since the Supreme Court referred the Litigation on 20th November 2009 to the Guangdong Higher Court for retrial. In June 2012, the Group received a letter ((2008) Yue Gao Fa Min Er Chu Zi No. 9-1) made on 18th June 2012 from the Guangdong Higher Court to Golden Yuxing, which suggested a settlement for the Litigation between Golden Yuxing and JLB Group. The board of Directors of the Company (the "Board"), having sought professional advice and after careful consideration, agreed that resolving the Litigation and all on-going Actions (together with Litigation, collectively referred as "Legal Proceedings") with JLB Group by way of court settlement may be the quickest method to settle all legal disputes as detailed in (a) and (b) above to achieve a better outcome for the development of the Company and for the benefit of its shareholders. The Board has therefore authorised the Company's representatives and PRC lawyers to attend the settlement negotiation at the Guangdong Higher Court.

Management Discussion and Analysis

FINANCIAL REVIEW *(Continued)*

Court Settlement *(Continued)*

As further detailed in the Settlement Announcements, pursuant to the terms of the Settlement Agreements, Golden Yuxing agreed to pay the settlement fee of RMB450.0 million to JLB Group or its designated entities in three tranches with a view to settling the Legal Proceedings and extinguishing any existing and possible claims, liabilities, or other rights and obligations that existed between the parties before signing the Final Settlement Agreement. In the meantime, the Company has agreed to provide a guarantee ("New Guarantee") for a maximum amount of RMB450.0 million to Golden Yuxing in favour of JLB Group in respect of the payment obligations of Golden Yuxing under the Settlement Agreements. The New Guarantee will be automatically terminated upon the full payment of the Settlement Fee. The Settlement Agreements and the provision of New Guarantee were subject to the approval of shareholders of the Company ("Shareholders") at the special general meeting of the Company ("SGM") and the Shareholders' approval have been obtained on 18th March 2013.

According to the Settlement Agreements, the first tranche of RMB150.0 million shall be paid within six months from the date of release of 29.472% equity interest in JI (and hence the associated economic benefits of 41 million Ping An Shares) from the freezing order by Guangdong Higher Court ("Release Date"). The dividend entitlement of 36.66% equity interest in JI will also be released from the freezing order at the Release Date. The second and third tranches of RMB150.0 million and RMB150.0 million respectively shall be paid within twelve months and eighteen months from the Release Date respectively. The remaining 7.188% equity interest in JI (and hence the associate economic benefits of 10 million Ping An Shares) will be released from the freezing order upon the confirmation of payment of the second and third tranches by Guangdong Higher Court. In addition, the Group and JLB Group have agreed to terminate the Legal Proceedings and extinguish any existing and possible claims, liabilities, or other rights and obligations that existed between the parties before signing the Final Settlement Agreement. At the same time, the Group and JLB Group confirm that the acquisition agreement entered into on 10th August 2004 between Golden Yuxing and SJHII in respect of the transfer of equity interest in JI is legally valid.

The Settlement Agreements and the provision of New Guarantee were approved by the Shareholders held at the SGM held on 18th March 2013. After completion of the Settlement Agreements, the Guangdong Higher Court will issue the Civil Mediation Agreement (民事調解書) on the basis of the Final Settlement Agreement.

The management, having assessed the development of court settlement and sought legal advice from its PRC lawyers, expects that the first tranche of settlement fee of RMB150.0 million (equivalent to approximately HK$185.0 million) would be paid within one year and is therefore classified as current liabilities, and the remaining second and third tranches for an aggregate undiscounted amount of RMB300.0 million (equivalent to approximately HK$370.0 million) will be fully paid in 2014. The fair value of the remaining second and third tranches amounts approximately to RMB271.9 million (equivalent to approximately HK$335.3 million), which is determined based on the present value of the estimated future cash flows discounted using an interest rate of 5.92% per annum, which is similar to the effective interest rate of bank borrowings.

Management Discussion and Analysis

BUSINESS REVIEW

After more than a decade of development and benefitting from the rapid growth of the global IPTV market, the Group's IPTV business has entered into a period of steady growth. With the accumulation of technological expertise over the years and our own intermediary software platform, the Group could meet needs of different customers, integrate with termination systems and customize end products. Products launched by the Group include standard-definition STB, high digital STB, dual mode STB, as well as OTT/IPTV STB. In addition, the Group launched STB equipped with an Android system at the end of 2012, providing customers with more diversified products. As such, during the Year under review, the Group's overall turnover and gross profit increased by 29.6% and 7.2% to approximately HK$791.0 million and HK$93.1 million respectively for the Year as compared with 2011.

Riding on the rapid growth of domestic IPTV market, the Group had launched, through cooperation with one of the largest PRC telecom equipment and system providers, various types of STB into nearly one-third of the PRC IPTV commercial stations of different provinces and municipals including, amongst others, Guangdong Province, Hubei Province, Sichuan Province, Shanxi Province, Liaoning Province, Anhui Province, Jiangsu Province, Zhejiang Province, Shanghai and Chongqing Municipalities. As the number of the PRC users continued to grow, the Group hit its new sales record of the IHA segment in the PRC amounting to approximately HK$517.5 million for the Year, representing a surge of 31.7% as compared with last year.

In the overseas market, the Group's products provided quality new entertainment experience to the end users not only in the IPTV sector, but also in the music and video sector. Meanwhile, the Group maintained good cooperation relationship with various existing telecommunication operators and system integration suppliers. The Group has managed to forward continuous shipments of its products to customers in Australia, Spain and Sweden, etc, and secured a stable market position in these markets. The Group's sales in overseas markets are on the rise, with its turnover amounting to approximately HK$199.4 million for the Year, representing a significant increase of 30.1% as compared with last year.

As one of the leading suppliers of IPTV STB in Hong Kong, the Group maintained close cooperation with a Hong Kong telecommunication operator in its marketing activities. The launch of its high digital STB in the market received good responses from users in 2012, resulting in a record turnover of the Group in Hong Kong of approximately HK$73.2 million for the Year, representing an increase of 16.3% as compared with last year.

As disclosed in the paragraphs headed "Court Settlement" above, on 30th January 2013, Golden Yuxing and JLB Group entered into the Settlement Agreement in respect of the claims made by JLB Group for the Acquisition. On 4 February 2013, Golden Yuxing and certain subsidiaries of the Company, JLB Group and all other involved parties entered into the Final Settlement Agreement, pursuant to which the Golden Yuxing agreed to pay the settlement fee of RMB450.0 million to JLB Group or its designated entities with a view to settling the Legal Proceedings and extinguishing any existing and possible claims, liabilities or other rights and obligations that existed between the parties before signing the Final Settlement Agreement. Further details are set out in the Settlement Announcements, circular dated 28th February 2013 and note 29 to the financial statements. The Company also agreed to provide the New Guarantee for a maximum amount of RMB450.0 million to Golden Yuxing in favour of JLB Group in respect of the payment obligations of Golden Yuxing under the Settlement Agreements. The Settlement Agreements and the provision of New Guarantee have been approved by the Shareholders at the SGM held on 18th March 2013.

Management Discussion and Analysis

BUSINESS PROSPECT

The IPTV market has entered into a period of steady growth around the world, in particular in the PRC market, where the market has a rapid growth and huge potential. Being one of the pioneers engaging in the R&D of broadband STB, the Group has arrived at its harvest season. As the Group's principal business, IPTV STB business has been undergoing a strong performance and is expected to have a large room to grow in the future as market continues to expand.

In the future, in continuing to generate and preserve value to the business of the Group over the long term, the Group will adhere to the existing principles and strategies by aggressively exploring opportunities for cooperation with small and medium sized telecom operators while maintaining close partnership with global large telecom operators, aiming to penetrate in even more overseas regional markets. For the domestic market, with the accelerated promotion of IPTV application across the country by the telecom operators, the Group will make the most of the opportunities and aggressively penetrate the emerging markets while consolidating the existing customer base.

With the accumulation of technological expertise over the years and the Group's own intermediary software platform, the Group will meet needs of different customers, integrate with termination systems and customize end products. Meanwhile, the Group will also continue to enhance its core technology R&D and customer service to continually provide products with advanced technologies and more price competitiveness to its customers, thereby bring better investment return to Shareholders in the future.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Zhu Wei Sha, aged 57, 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's 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 Company Limited ("Super Dragon") which has a 37.77% interest in the share capital of the Company.

Mr. Chen Fu Rong, aged 52, 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's degree in engineering. He had worked at the Industrial Economic Research Department of the China Social Science Institute and Beijing Machinery Electronics Company and has extensive experience in computer hardware design and management of R&D activities. Mr. Chen possesses 20 years' experience in R&D 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 56, is a vice president of the Group. He graduated with a master's 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 has 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 R&D department. He is currently the vice president in operations of Golden Yuxing.

Mr. Shi Guang Rong, aged 52, has been a vice president of the Group since 1996. He graduated with a bachelor's 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 22 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wu Jia Jun, aged 81, is currently an Honorary Academy Member and researcher of China Social Science Academy as well as a tutor of doctoral students. He is also a honorary 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 an Independent Non-executive Director in October 1999.

Biographical Details of Directors and Senior Management

Mr. Zhong Peng Rong, aged 60, 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 an Independent Non-executive Director in October 1999.

Ms. Shen Yan, aged 49, holds a bachelor's degree in Accounting and has over 18 years of experience in accounting and 14 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 an Independent Non-executive Director in January 2005.

COMPANY SECRETARY

Mr. Liu Wei, aged 55, 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's degree in Chinese literature, a master's degree in law, and 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 40, is the financial controller of the Group. She is a graduate of the Monash University in Australia with a master's degree in Practising Accounting and holds a bachelor's 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 15 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 2012.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out in note 35 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 26 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31st December 2012 are set out in the consolidated income statement on page 34.

The Board does not recommend the payment of a dividend for the year ended 31st December 2012.

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 38 and note 27 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 bye-laws of the Company (the "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 THE LISTED SHARES

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

Directors' Report

SHARE OPTIONS

Details of the Company's share option scheme is set out in note 32 to the financial statements.

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

			Number of share options				
Name of director	Exercise price per share HK$	Exercisable period	As at 1st January 2012	Exercised during the year	Granted during the year	Forfeited during the year	As at 31st December 2012
Mr. Wang An Zhong	0.2975	26th December 2006 – 17th May 2013	1,600,000	(800,000)	–	–	**800,000**
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**
			5,120,000	(3,360,000)	–	–	**1,760,000**

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 movements in the Company's share options held by continuous contract employees (other than the Directors) during the year are set out in note 32 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 17 and 18.

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

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 after 7th October 2005) 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 2011 and have agreed to continue their appointment for another two-year term expiring on 24th October 2013. Ms. Shen Yan was appointed as Independent Non-executive Director for a term of two years expiring on 11th January 2012 and has agreed to continue her appointment for another two-year term expiring on 11th January 2014.

Save as disclosed above, no Directors proposed for re-election at the forthcoming annual general meeting ("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 for the Directors' service contracts as 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 the 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 remuneration of the Directors and other employees:

- 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 2012, 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 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)*	660,000,000	Interest of a controlled corporation	37.77%
	Personal	300,000	Beneficial owner	0.02%
Mr. Chen Fu Rong	Corporate *(Note)*	660,000,000	Interest of a controlled corporation	37.77%
Mr. Shi Guang Rong	Personal	25,560,000	Beneficial owner	1.46%
Mr. Wang An Zhong	Personal	5,936,756	Beneficial owner	0.34%
Mr. Zhong Peng Rong	Personal	1,600,000	Beneficial owner	0.09%
Mr. Wu Jia Jun	Personal	1,600,000	Beneficial owner	0.09%

Note: 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.

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 2012 were as follows:

				Number of share options				
Name of Director	Date of grant	Exercise price per share HK$	Exercisable period	As at 1st January 2012	Exercised during the year	Granted during the year	Forfeited during the year	As at 31st December 2012
Mr. Wang An Zhong	26th December 2006	0.2975	26th December 2006 – 17th May 2013	1,600,000	(800,000)	–	–	**800,000**
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**
				5,120,000	(3,360,000)	–	–	**1,760,000**

Save as disclosed above, none of the Directors or chief executive of the Company had, as at 31st December 2012, 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 of 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 2012, 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)*	Corporate	660,000,000	Beneficial owner	37.77%
Gold Swiss Holdings Limited	Corporate	100,000,000	Beneficial owner	5.72%

Note: 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.

Save as disclosed above, as at 31st December 2012, 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.

Directors' Report

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	13.5%
–	five largest suppliers combined	42.3%

Sales

–	the largest customer	64.8%
–	five largest customers combined	96.6%

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

RELATED PARTY TRANSACTIONS

Significant related party transactions entered into by the Group during the year, which constitute exempted connected transactions or continuing connected transactions under the GEM Listing Rules, are set out in note 34 to the financial statements.

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

The consolidated financial statements of the Company for the year ended 31st December 2012 were audited by Mazars CPA Limited, Certified Public Accountants.

A resolution for the re-appointment of Mazars CPA Limited as the auditor of the Company will be proposed at the forthcoming AGM of the Company.

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

Hong Kong, 20th March 2013

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 continued 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 to the GEM Listing Rules. The Board will continue to monitor and revise the Company Code and assess the effectiveness of 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 provisions of the GEM Code during the year under review.

(a) Under provision A.2.1 of the GEM Code, the role of the 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 Board, 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 with 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 OF DIRECTORS

Board composition

The Board is responsible for managing the Company on behalf of the Shareholders. The Board is of the view that it is the Directors' responsibility to create value for the 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 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 Group and responsible for reviewing its effectiveness;

- being ultimately responsible for preparing financial accounts and discussing the performance, financial conditions and prospects of the Group 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 discloseable under statutory requirements;

- whilst Executive Directors, who oversee the overall business of the Group, are responsible for the daily operations of the Group, 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.

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. The biographies of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report. The Directors, with relevant and sufficient experience and qualifications, have given sufficient time and attention to the affairs of the Group and have exercised due care and fiduciary duties to the significant issues of overall business planning, management and strategic development of the Group.

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

Corporate Governance Report

BOARD OF DIRECTORS *(Continued)*

Independent non-executive directors

During the year ended 31st December 2012, the Board had complied at all times and met the requirement of the GEM Listing Rules that at least three Independent Non-executive Directors sit on the Board (more than one third of the Board members) and at least one of them has appropriate professional accounting or related financial management expertise. All the Independent Non-executive Directors are appointed for a 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 21. Each of the Independent Non-executive Director 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.

Board practice and conduct of meetings

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 2012, there were seven full Board meetings and one general meeting held. The attendance record of each member of the Board is set out below:

Executive Directors	**Attendance at Board meetings**	**Attendance at general meeting**
Mr. Zhu Wei Sha *(Chairman)*	7/7	0
Mr. Chen Fu Rong *(Deputy Chairman)*	6/7	1
Mr. Wang An Zhong	7/7	1
Mr. Shi Guang Rong	7/7	1
Independent Non-executive Directors		
Mr. Wu Jia Jun	6/7	1
Mr. Zhong Peng Rong	5/7	1
Ms. Shen Yan	6/7	1

Information of material issues, due notice of meetings and minutes of each directors' meeting have been sent to each of the Directors for their information, comment and review.

Appointment and Re-election of Directors

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 after 7th October 2005) 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 2011 and have agreed to continue their appointment for another two-year term expiring on 24th October 2013. Ms. Shen Yan was appointed as Independent Non-executive Director for a term of two years expiring on 11th January 2012 and has agreed to continue her appointment for another two-year term expiring on 11th January 2014.

Corporate Governance Report

BOARD OF DIRECTORS *(Continued)*

Appointment and Re-election of Directors *(Continued)*

The Company has established formal, considered and transparent procedures for the appointment of new directors. The procedures and process of appointment, re-election and removal of directors are laid down in the Bye-laws. Pursuant to Article 87 of the Bye-laws, at each AGM one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. Accordingly, Mr. Chen Fu Rong and Mr. Wang An Zhong will be subject to retirement by rotation and, being eligible, offer themselves for re-election at the forthcoming AGM.

Directors' Training

During the year, a training conducted by Company's legal advisor regarding the GEM Listing Rules' updates has been provided to the Directors to ensure a high standard of corporate governance is upheld. Directors are provided with updates on latest developments and changes in the GEM Listing Rules and other relevant legal and regulating requirement from time to time to discharge their duties.

NOMINATION COMMITTEE

The nomination committee of the Company was established in March 2012. It comprises Ms. Shen Yan (Chairman), Mr. Wu Jia Jun and Mr. Zhong Peng Rong. The responsibilities of the nomination committee include (1) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (2) identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; (3) assessing the independence of Independent Non-executive Directors; and (4) making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive. Up to the date of this annual report, the nomination committee held one meeting to perform the aforesaid functions. All members have attended the meeting.

REMUNERATION COMMITTEE

The remuneration committee of the Company was established in October 2005. It comprises Ms. Shen Yan (Chairman), Mr. Sun Li Jun, Mr. Wang An Zhong, Mr. Wu Jia Jun and Mr. Zhong Peng Rong. 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 ended 31st December 2012, the remuneration committee of the Company convened one meeting, in which the remuneration committee reviewed and approved the remuneration packages of the Executive Directors and senior management. All members have attended the meeting.

Details of the Directors' remuneration are set out in note 10 to the financial statements. In addition, pursuant to the Code Provision B.1.5, the annual remuneration of the member of the senior management by band for the year ended 31st December 2012 is set out below:

Remuneration band	Number of individuals
HK$Nil to HK$1,000,000	1

Corporate Governance Report

AUDITOR'S REMUNERATION

The remuneration in respect of audit services provided by the auditor, Mazars CPA Limited, to the Group in the year 2012 amounted to HK$1,040,000. Non-audit services (including review of interim report and financial information and the circular) provided by Mazars CPA Limited to the Group in the year 2012 amounted to HK$210,000.

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 was appointed as the chairman of the Committee and she has appropriate professional qualifications in accounting and auditing experience. The Committee held four meetings during the current financial year. The Group's audited annual results for the year ended 31st December 2012 have 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	3/4
Mr. Wu Jia Jun	4/4

The Committee has carefully reviewed the Company's quarterly, half-yearly and annual results and internal control system of the Group and has made suggestions to improve them. The Committee also met the external auditor twice without the presence of the Executive Directors. During the year ended 31st December 2012, the Committee has reviewed the financial results and reports, financial reporting and compliance procedures, report on the Company's internal control and risk management review and processes and the re-appointment of external auditor and arrangements for employees to raise concerns about possible improprieties. Besides, there is no disagreement between the Board and the Committee regarding the re-appointment of external auditor. The Committee also carried out and discharged its duties set out in the GEM Code.

COMPANY SECRETARY

The Company Secretary of the Company is Mr. Liu Wei. He has taken no less than 15 hours of relevant professional trainings to update his skills and knowledge in 2012.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR ACCOUNTS

The Directors acknowledge their responsibility for the preparation of consolidated financial statements of the Group for the year ended 31st December 2012, which give a true and fair view of the financial position of the Group on a going concern basis. Statements of Directors' responsibilities for preparing the financial statements and external auditor's reporting responsibilities are set out in the "Independent Auditor's Report".

Corporate Governance Report

INTERNAL CONTROL

During the year ended 31st December 2012, 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 Group's assets against unauthorised use or disposition, and to protect the interests of the shareholders of the Company.

SHAREHOLDERS' RIGHTS

The annual report, interim report and quarterly reports offer comprehensive information to the Shareholders on operational and financial performance whereas annual general meetings provide a forum for the Shareholders to exchange views directly with the Board. The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board.

According to the Bye-Laws, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meeting of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition. The requisition must be lodged with the registered office of the Company.

As regards to proposing a person for election as a director, please refer to the procedures as set out in the Bye-laws on the website of the Company at www.yuxing.com.cn and the Exchange.

Shareholders may send written enquiries or requests in respect of their rights to the principal place of business of the Company in Hong Kong and for the attention of the Company Secretary.

INVESTOR RELATIONS

The Company establishes different communication channels with investors to update the latest business development and financial performance including the publication of quarterly, interim and annual reports, the publish and posting of notices, announcements and circulars on the GEM website and the Company's website in order to maintain a high level of transparency, and to ensure there is no selective disclosure of inside information. Save for the changes as published in the announcement of the Company dated 11th April 2012 and circular of the Company dated 16th April 2012, the Board is not aware of any significant changes in the Company's constitutional documents during the year ended 31st December 2012.

Independent Auditor's Report

MAZARS

Mazars CPA Limited
瑪澤會計師事務所有限公司
42nd Floor, Central Plaza
18 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道18號中環廣場42樓
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TO THE SHAREHOLDERS OF
YUXING INFOTECH INVESTMENT HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Yuxing InfoTech Investment Holdings Limited (the "Company") and its subsidiaries (together "the Group") set out on pages 34 to 102, which comprise the consolidated and the Company's balance sheets as at 31st December 2012, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated 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

MAZARS

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of the affairs of the Company and of the Group as at 31st December 2012, 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 disclosure requirements of the Hong Kong Companies Ordinance.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 20th March, 2013

Eunice Y M Kwok
Practising Certificate number: P04604

Consolidated Income Statement

For the year ended 31st December 2012

	Notes	2012 HK$'000	2011 HK$'000
Turnover	7	**790,983**	610,144
Cost of sales		**(697,869)**	(523,306)
Gross profit		**93,114**	86,838
Other revenue and net income	8	**9,491**	39,951
Distribution and selling expenses		**(18,457)**	(15,996)
General and administrative expenses		**(86,444)**	(61,883)
Other operating expenses		**(2,328)**	(12,310)
Fair value gains on investment properties	16	**10,180**	3,180
Settlement fee in respect of court settlement	29	**(518,436)**	–
(Loss)/Profit from operations	9	**(512,880)**	39,780
Finance costs	12	**(7,439)**	(4,428)
Share of results of a jointly controlled entity	20	**23,698**	–
(Loss)/Profit before taxation		**(496,621)**	35,352
Taxation	13	**(3,543)**	(1,368)
(Loss)/Profit for the year		**(500,164)**	33,984
(Loss)/Profit attributable to:			
Owners of the parent	14	**(499,954)**	33,984
Non-controlling interests		**(210)**	–
		(500,164)	33,984
(Loss)/Earnings per share	15		
– Basic		**(28.70) cents**	1.96 cents
– Diluted		**(28.70) cents**	1.93 cents

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2012

	2012	2011
	HK$'000	HK$'000
(Loss)/Profit for the year	**(500,164)**	33,984
Other comprehensive income/(loss):		
Change in fair value of available-for-sale financial assets	**690,061**	(1,259,750)
Share of other comprehensive loss arising from interest in a jointly controlled entity (net of tax) *(note 20(b))*	**(110,727)**	–
Exchange differences arising on translation of PRC subsidiaries	**777**	161,663
Other comprehensive income/(loss) for the year	**580,111**	(1,098,087)
Total comprehensive income/(loss) for the year	**79,947**	(1,064,103)
Total comprehensive income/(loss) attributable to:		
Owners of the parent	**80,157**	(1,064,103)
Non-controlling interests	**(210)**	–
	79,947	(1,064,103)

Consolidated Balance Sheet

As at 31st December 2012

	Notes	As at 31st December 2012 HK$'000	As at 31st December 2011 HK$'000
NON-CURRENT ASSETS			
Investment properties	16	**46,480**	36,300
Property, plant and equipment	17	**95,489**	97,762
Prepaid lease payments	18	**13,131**	13,515
Interest in a jointly controlled entity	20	**2,535,249**	–
Available-for-sale financial assets	20	**–**	1,954,113
		2,690,349	2,101,690
CURRENT ASSETS			
Inventories	21	**83,012**	95,753
Trade and other receivables	22	**182,790**	208,886
Prepaid lease payments	18	**382**	382
Dividend receivable	29(a)	**97,484**	72,345
Financial assets at fair value through profit or loss	23	**55,361**	12,421
Pledged bank deposits		**24,318**	13,607
Cash and bank balances		**62,706**	70,490
		506,053	473,884
CURRENT LIABILITIES			
Trade and other payables	24	**215,717**	206,920
Bank loans	25	**100,185**	105,978
Settlement fee payable	29	**184,980**	–
Tax payable		**2,154**	1,002
		503,036	313,900
NET CURRENT ASSETS		**3,017**	159,984
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,693,366**	2,261,674
NON-CURRENT LIABILITIES			
Financial liabilities at fair value through profit or loss	30	**98**	–
Settlement fee payable	29	**335,311**	–
		335,409	–
NET ASSETS		**2,357,957**	2,261,674
CAPITAL AND RESERVES			
Share capital	26	**43,688**	43,378
Reserves	27	**2,301,828**	2,218,296
Equity attributable to owners of the parent		**2,345,516**	2,261,674
Non-controlling interests		**12,441**	–
TOTAL EQUITY		**2,357,957**	2,261,674

Approved by the Board on 20th March 2013 and signed on behalf of the Board by:

Zhu Wei Sha
Chairman

Shi Guang Rong
Vice President

Balance Sheet

As at 31st December 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	19	**638,851**	641,112
CURRENT ASSETS			
Trade and other receivables	22	**1,194**	314
Cash and bank balances		**5,468**	3,738
		6,662	4,052
CURRENT LIABILITIES			
Trade and other payables	24	**2,323**	504
Amounts due to subsidiaries	19	**4,872**	4,872
		7,195	5,376
NET CURRENT LIABILITIES		**(533)**	(1,324)
NET ASSETS		**638,318**	639,788
CAPITAL AND RESERVES			
Share capital	26	**43,688**	43,378
Reserves	27	**594,630**	596,410
TOTAL EQUITY		**638,318**	639,788

Approved by the Board on 20th March 2013 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 2012

	Attributable to owners of the parent										
	Share capital HK$'000	Share premium HK$'000	Statutory reserves HK$'000	Contributed surplus HK$'000	Share option reserves HK$'000	Investment revaluation reserves HK$'000	Translation reserves HK$'000	Retained profits/ (Accumulated losses) HK$'000	Sub total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 1st January 2011	43,355	36,691	20,190	234,621	30,398	2,363,238	524,624	72,387	3,325,504	–	3,325,504
Profit for the year	–	–	–	–	–	–	–	33,984	33,984	–	33,984
Other comprehensive loss:											
Change in fair value of available-for-sale financial assets	–	–	–	–	–	(1,259,750)	–	–	(1,259,750)	–	(1,259,750)
Exchange differences arising on translation of PRC subsidiaries	–	–	–	–	–	–	161,663	–	161,663	–	161,663
Total other comprehensive loss	–	–	–	–	–	(1,259,750)	161,663	–	(1,098,087)	–	(1,098,087)
Total comprehensive loss for the year	–	–	–	–	–	(1,259,750)	161,663	33,984	(1,064,103)	–	(1,064,103)
Transactions with owners:											
Issue of shares under share option scheme	23	312	–	–	(62)	–	–	–	273	–	273
Total transactions with owners	23	312	–	–	(62)	–	–	–	273	–	273
As at 31st December 2011 and as at 1st January 2012	43,378	37,003	20,190	234,621	30,336	1,103,488	686,287	106,371	2,261,674	–	2,261,674
Loss for the year	–	–	–	–	–	–	–	(499,954)	(499,954)	(210)	(500,164)
Other comprehensive income:											
Change in fair value of available-for-sale financial assets	–	–	–	–	–	690,061	–	–	690,061	–	690,061
Share of other comprehensive loss arising from interest in a jointly controlled entity (net of tax)	–	–	–	–	–	(110,727)	–	–	(110,727)	–	(110,727)
Exchange differences arising on translation of PRC subsidiaries	–	–	–	–	–	–	777	–	777	–	777
Total other comprehensive income	–	–	–	–	–	579,334	777	–	580,111	–	580,111
Total comprehensive income for the year	–	–	–	–	–	579,334	777	(499,954)	80,157	(210)	79,947
Transactions with owners:											
Issue of shares under share option scheme	310	4,690	–	–	(1,315)	–	–	–	3,685	–	3,685
Transfer from retained profits to statutory reserves	–	–	245	–	–	–	–	(245)	–	–	–
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	12,651	12,651
Total transactions with owners	310	4,690	245	–	(1,315)	–	–	(245)	3,685	12,651	16,336
As at 31st December 2012	**43,688**	**41,693**	**20,435**	**234,621**	**29,021**	**1,682,822**	**687,064**	**(393,828)**	**2,345,516**	**12,441**	**2,357,957**

Consolidated Cash Flow Statement

For the year ended 31st December 2012

	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES		
(Loss)/Profit before taxation	**(496,621)**	35,352
Adjustments for:		
Exchange difference	**(507)**	(466)
Bad debts	**18**	–
Impairment in respect of trade receivables	**235**	56
Impairment on other receivables	**822**	3,857
Impairment on inventories	**8,014**	357
Reversal of write-down of inventories	**–**	(380)
Reversal of impairment in respect of trade receivables	**(150)**	(68)
Reversal of impairment on other receivables	**(3,932)**	–
Interest income	**(893)**	(547)
Interest paid	**7,439**	4,428
Dividend income	**(160)**	(34,170)
Amortisation of prepaid lease payments	**380**	372
Depreciation of property, plant and equipment	**8,445**	7,567
Fair value gains on investment properties	**(10,180)**	(3,180)
Fair value loss on financial liabilities at fair value through profit or loss	**98**	–
Loss on disposal of property, plant and equipment	**141**	193
Loss on disposal of financial assets at fair value through profit or loss	**247**	4,014
Net unrealised holding (gain)/loss on financial assets at fair value through profit or loss	**(894)**	5,612
Settlement fee in respect of court settlement	**518,436**	–
Share of results of a jointly controlled entity	**(23,698)**	–
OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL	**7,240**	22,997
Decrease/(Increase) in inventories	**4,676**	(21,457)
Decrease/(Increase) in trade and other receivables	**29,070**	(95,835)
Increase in trade and other payables	**8,839**	86,959
CASH GENERATED FROM/(USED IN) OPERATIONS	**49,825**	(7,336)
Income taxes paid	**(2,402)**	(598)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	**47,423**	(7,934)

Consolidated Cash Flow Statement

For the year ended 31st December 2012

	2012 HK$'000	2011 HK$'000
INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	**(64,605)**	(51,711)
Purchase of property, plant and equipment	**(6,432)**	(6,521)
Acquisition of pledged bank deposits with original maturities over three months	**(13,133)**	–
Proceeds from disposal of financial assets at fair value through profit or loss	**22,312**	44,771
Interest received	**893**	547
Dividend received	**160**	363
Proceeds from disposal of property, plant and equipment	**66**	67
NET CASH USED IN INVESTING ACTIVITIES	**(60,739)**	(12,484)
FINANCING ACTIVITIES		
Proceeds from issue of shares under share option scheme	**3,685**	274
Capital contribution from non-controlling interests	**12,651**	–
New bank loans raised	**319,914**	156,201
Repayment of bank loans	**(325,685)**	(113,735)
Interest paid	**(7,439)**	(4,428)
NET CASH GENERATED FROM FINANCING ACTIVITIES	**3,126**	38,312
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(10,190)**	17,894
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**84,097**	64,819
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(16)**	1,384
CASH AND CASH EQUIVALENTS AT END OF YEAR	**73,891**	84,097
Analysis of the balances of cash and cash equivalents:		
Pledged bank deposits with original maturity of less than three months when acquired	**11,185**	13,607
Cash and bank balances	**62,706**	70,490
	73,891	84,097

Note: At the balance sheet date, the pledged bank deposits comprised HK$13,133,000 *(2011: HK$Nil)* which had a maturity of more than three months when acquired and therefore has not been classified as cash equivalents in the consolidated cash flow statement.

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 35 to the financial statements.

2. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") 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 consolidated financial statements also complied with the applicable disclosure provisions of the Rules Governing The Listing of Securities on the GEM.

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2011 consolidated financial statements. The adoption of the new/revised HKFRSs which are relevant to the Group and effective from the current year had no significant effects on the Group's results and financial position for the current and prior years. A summary of the principal accounting policies adopted by the Group is set out below.

Adoption of new/revised HKFRSs

Amendments to HKAS 12: Deferred Tax: Recovery of Underlying Assets

The Amendments introduce a rebuttable presumption that, if a deferred tax liability or asset arises from investment property carried at fair value under HKAS 40: *Investment Property*, the carrying amount of the investment property will be recovered through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all economic benefits embodied in the investment property over time, rather than through sale. In addition, the Amendments incorporate the guidance in HK(SIC) – Int 21: *Income Taxes – Recovery of Revalued Non-Depreciable Assets* in the standard.

As disclosed in note 16, the Group has investment properties measured at fair values. Previously, the Group recognised deferred taxes on changes in fair value of investment properties on the basis that the entire carrying amounts of the properties were recovered through use. As required by the Amendments, the Group has re-measured the deferred tax relating to these investment properties according to the tax consequences on the presumption that they are recovered entirely through sale retrospectively. The adoption of the Amendments does not have a significant effect on the financial statements.

Amendments to HKFRS 7: Disclosures – Transfers of Financial Assets

The Amendments enhance the disclosure requirements for transactions involving transfers of financial assets in order to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the assets. The Group has transferred its financial assets during the year and disclosed the information in relation to those assets and the assumed liabilities, if any, in note 22. The Group is not required to provide the disclosure required by the Amendments for the period begins before the date of initial application, that is 1st January 2012.

Notes to the Financial Statements

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Basis of measurement

The measurement basis used in the preparation of these consolidated financial statements is historical cost, except for investment properties, financial assets or financial liabilities at fair value through profit or loss, which are measured at fair value as explained in the accounting policies set out below.

(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 balances, 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.

Non-controlling interests are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from owners of the parent. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, is measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis.

Allocation of total comprehensive income

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in ownership interest

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary is recognised on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary is accounted for as a financial asset, associate, jointly controlled entity or others as appropriate from the date when control is lost.

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, investments in subsidiaries are stated at cost less accumulated impairment loss. 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) Joint venture

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control. Joint control is the contractually agreed sharing of control over the economic activity when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the "venturers").

Jointly controlled entities

A jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest. Investment in a jointly controlled entity is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the jointly controlled entity in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the jointly controlled entity's identifiable assets and liabilities is recorded as goodwill. The goodwill is included within the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of a jointly controlled entity's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity. If the jointly controlled entity subsequently reports profits, the Group resumes recognising its share of these profits only after its share of the profits equals the share of losses not recognised.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and 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 profit or loss during the year in which they are incurred.

Notes to the Financial Statements

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Property, plant and equipment *(Continued)*

As the Group's lease payments for its leasehold property located in Hong Kong cannot be allocated reliably between the land and buildings elements at the inception of the lease because similar land and buildings are not sold or leased separately, the entire lease payments are included in the cost of the leasehold property as a finance lease in property, plant and equipment.

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 property	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% – 20%
Motor vehicles	10% – 33%

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

(g) 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 balance sheet date. Any gain or loss arising from a change in fair value is recognised in profit or loss. 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.

(h) 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 that are classified as operating leases. The premiums are stated at cost and are amortised over the period of the lease on a straight-line basis to profit or loss.

Notes to the Financial Statements

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) Intangible assets

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 profit or loss 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.

(j) Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when and only 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 and only when (i) the Group's contractual rights to future cash flows from the financial asset expire; or (ii) the Group transfers the financial asset and the Group has transferred substantially all the risks and rewards of ownership of the financial asset. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial assets or financial liabilities are initially recognised at their fair value plus, in the case of financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities.

Financial assets or financial liabilities at fair value through profit or loss

Financial assets or financial liabilities at fair value through profit or loss include financial assets or financial liabilities held for trading and financial assets or financial liabilities 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 profit or loss.

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

Financial assets or financial liabilities are designated at initial recognition as at fair value through profit or loss only 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 period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

Financial liabilities

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

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 profit or loss 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.

(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.

Notes to the Financial Statements

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(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.

Rental income under operating lease is recognised when the properties are let out and on the straight line basis over the lease terms.

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.

(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 profit or loss.

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 and, where applicable, goodwill and fair value adjustments on the carrying amounts of assets and liabilities arising on an acquisition of a foreign operation which are to be treated as assets and liabilities of that foreign operation, are translated at the closing rate at the balance sheet date;

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

(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;

(d) On disposal of a foreign operation, which includes the disposal of the Group's entire interest in a foreign operation, the loss of control of a subsidiary that includes a foreign operation, the loss of significant influence over an associate that includes a foreign operation, and the loss of joint control over a jointly controlled entity that includes 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 profit or loss when the gain or loss on disposal is recognised;

Notes to the Financial Statements

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(n) Foreign currency translation *(Continued)*

(e) On disposal or partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not recognised in profit or loss; and

(f) On all other partial disposals, which includes partial disposal of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount of exchange differences recognised in the separate component of equity is reclassified to profit or loss.

(o) Impairment of other assets

At each balance sheet date, the Group reviews internal and external sources of information to assess whether there is any indication that its property, plant and equipment may be impaired 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 in profit or loss 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 in profit or loss immediately.

(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. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

(q) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when 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.

Notes to the Financial Statements

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(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 profit or loss statement on a straight-line basis over the term of the relevant lease.

(s) Employee benefits

Short-term employee benefits

Salaries, annual bonuses, paid annual leave and contributions to defined contribution retirement plans 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 (the "MPF") in Hong Kong are recognised as an expense in profit or loss 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.

(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 instruments 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 ("market conditions").

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 ("vesting date"). 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 profit or loss for the year of the review, with a corresponding adjustment to the reserve within equity.

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

Notes to the Financial Statements

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(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 consolidated 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.

Deferred tax is provided on temporary differences arising on investment in subsidiaries and jointly controlled entity, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

(v) Related parties

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of the parent of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

Notes to the Financial Statements

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(v) Related parties *(Continued)*

(b) An entity is related to the Group if any of the following conditions applies: *(Continued)*

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Notes to the Financial Statements

3. FUTURE CHANGES IN HKFRSs

At the date of authorisation of these consolidated 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.

Amendments to HKAS 1	*Presentation of items of other comprehensive income* [1]
HKAS 19 (2011)	*Employee Benefits* [2]
HKAS 27 (2011)	*Separate Financial Statements* [2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures* [2]
HKFRS 10	*Consolidated financial statements* [2]
HKFRS 11	*Joint Arrangements* [2]
HKFRS 12	*Disclosures of Interests with Other Entities* [2]
Amendments to HKFRS 10, HKFRS 11, HKFRS 12	*Additional transition relief – Consolidated financial statements, Joint Arrangements, Disclosures of Interests with Other Entities* [2]
HKFRS 13	*Fair value measurement* [2]
Amendments to HKFRS 1	*First-time Adoption of Hong Kong Financial Reporting Standards* [2]
HK(IFRIC) – Int 20	*Stripping Costs in the Production Phase of a Surface Mine* [2]
Various HKFRSs	*Annual Improvements Project – 2009-2011 Cycle* [2]
Amendments to HKFRS 7	*Disclosure – Offsetting Financial Assets and Financial Liabilities* [2]
Amendments to HKAS 32	*Presentation – Offsetting Financial Assets and Financial Liabilities* [3]
Amendments to HKAS 27 (2011), HKFRS 10, HKFRS 12	*Investment Entities – Amendments to Separate Financial Statements, Consolidated Financial Statements, Disclosures of Interests with Other Entities* [3]
HKFRS 9	*Financial Instruments* [4]
Amendments to HKFRS 9 and HKFRS 7	*Mandatory Effective Date of HKFRS 9, Financial Instruments, and Transition Disclosure* [4]

[1] Effective for annual periods beginning on or after 1 July 2012

[2] Effective for annual periods beginning on or after 1 January 2013

[3] Effective for annual periods beginning on or after 1 January 2014

[4] Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs, but is not yet in a position to reasonably estimate their impact on the Group's consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the consolidated 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. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

Fair value of financial liabilities at fair value through profit or loss

As described in note 30 to the financial statements, the valuation techniques applied by the external valuers for the financial liabilities at fair value through profit or loss have been agreed with the Directors. The Directors use their judgment to determine whether valuation techniques applied are appropriate to the circumstances of the Group.

Notes to the Financial Statements

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

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 and other receivables

The provisioning policy for impairment in respect of trade and other receivables of the Group is based on the evaluation by management of the collectability of the outstanding receivables. 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 debtor. If the financial conditions of these debtors 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 trade and other receivables after provision for impairment amounted to approximately HK$182,790,000 *(2011: approximately HK$208,886,000)*.

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 the adjustments of their carrying amounts.

Valuation of settlement fee payable

As described in note 29 to the financial statements, the non-current portion of settlement fee payable has been determined based on the present value of expected cash flows discounted using an interest rate of 5.92% per annum, which is similar to the effective interest rate of bank borrowings applicable to the Group. If the discount rate had been increased or decreased by 1% from the management's estimates, the carrying amount of settlement fee payable would be decreased or increased by approximately HK$5,850,000 respectively.

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 and taxation payable).

In 2012, the Group's gearing ratio at below 50% *(2011: below 15%)*. 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 as at 31st December 2012 and 2011 was as follows:

		Group		Company	
		2012	2011	**2012**	2011
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Current liabilities:					
Trade and other payables	24	**215,717**	206,920	**2,323**	504
Bank loans	25	**100,185**	105,978	**–**	–
Settlement fee payable	29	**184,980**	–	**–**	–
Tax payable		**2,154**	1,002	**–**	–
Amounts due to subsidiaries	19	**–**	–	**4,872**	4,872
		503,036	313,900	**7,195**	5,376
Non-current liabilities:					
Financial liabilities at fair value through profit or loss	30	**98**	–	**–**	–
Settlement fee payable	29	**335,311**	–	**–**	–
		335,409	–	**–**	–
Total debt		**838,445**	313,900	**7,195**	5,376
Total equity		**2,357,957**	2,261,674	**638,318**	639,788
Debt-to-equity ratio		**35.6%**	13.9%	**1.1%**	0.8%

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

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. As at the balance sheet date, the Group has a concentration of credit risk as 65.2% (*2011: 70.9%*) and 80.7% (*2011: 83.9%*) of the total trade and other receivables was due from the Group's largest customer and the five largest customers respectively.

In addition, 100% *(2011: 100%)* of the dividend receivables was due from Gongbujiangda Jiangnan Industrial Development Company Limited ("JI") as mentioned in note 29(a).

The maximum exposure to credit risk without taking into 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 22.

The Company

The Company's credit risk is primarily attributable to amounts due from subsidiaries. As at 31st December 2012, the Company had a concentration of credit risk as 52.8% *(2011: 53.4%)* and 99.0% *(2011: 99.8%)* of the total amounts due from subsidiaries is originated from the Company's largest subsidiary and three largest subsidiaries respectively.

(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 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 Group has unutilised borrowing facilities of approximately HK$89,135,000 *(2011: approximately HK$92,918,000)* as at the balance sheet date to meet the liquidity needs.

Notes to the Financial Statements

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk *(Continued)*

The following table details the remaining contractual maturities as 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 as at the balance sheet date) and the earliest date the Group and the Company can be required to pay.

Specifically, bank loans with a repayment on demand clause are included in the earliest period regardless of the probability of the banks choosing to exercise their rights within one year after the reporting date. The maturity analysis for other non-derivative financial liabilities is prepared based on the scheduled repayment dates.

Group

		2012				2011			
	Notes	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000	More than one year but less than two years HK$'000	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000	More than one year but less than two years HK$'000
Trade and other payables	24	215,717	215,717	215,717	–	206,920	206,920	206,920	–
Bank loans	25	100,185	103,549	103,549	–	105,978	110,905	110,905	–
Settlement fee payable	29	520,291	554,939	184,980	369,959	–	–	–	–
		836,193	874,205	504,246	369,959	312,898	317,825	317,825	–

Company

		2012			2011		
	Notes	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000
Other payables	24	2,323	2,323	2,323	504	504	504
Amounts due to subsidiaries	19	4,872	4,872	4,872	4,872	4,872	4,872
		7,195	7,195	7,195	5,376	5,376	5,376

Notes to the Financial Statements

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk *(Continued)*

The amounts repayable under loan agreements that include a clause that gives lenders the unconditional right to call loans at any time are classified under the "within one year or on demand" bracket. In this regard, bank loans of approximately HK$11,976,000 *(2011: approximately HK$13,131,000)* (see note 25) as at the balance sheet date have been so classified even though the Directors do not expect that lenders would exercise their rights to demand repayment and thus these borrowings (including the aggregate principal and interest cash outflows) would be repaid according to the following schedule as set out in the loan agreements:

	Group	
	2012	2011
	HK$'000	HK$'000
Bank loans with a repayment on demand clause		
Within one year	**1,472**	1,472
More than one year but less than two years	**1,472**	1,472
More than two years but less than five years	**4,416**	4,416
Over five years	**6,340**	7,813
	13,700	15,173

(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, bank balances and pledged bank deposits.

As at the balance sheet date, if interest rates had been 100 basis points higher or lower (but on condition that interest rate would not fall below zero) and all other variables were held constant, the Group's net loss would be increased by approximately HK$120,000 or decreased by approximately HK$489,000 respectively *(2011: net profit would be decreased by approximately HK$257,000 or increased by approximately HK$669,000 respectively)*.

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 points 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 2011.

Notes to the Financial Statements

6. FINANCIAL INSTRUMENTS *(Continued)*

(d) Currency risk

The Group has transactional currency exposure. Such exposure arises from trading and investing 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 United States dollars and Great British Pounds ("GBP") against Hong Kong dollars. Management considers that the Group has limited exposure to foreign currency risk of United States dollars against Hong Kong dollars 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.

As at the balance sheet date, if GBP had been 5% strengthened/weakened against Hong Kong dollars while all other variables were held constant, the Group's net loss would be decreased/increased by approximately HK$2,177,000 *(2011: net profit would be increased/decreased by approximately HK$159,000)*.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred as at the balance sheet date and had been applied to each of the Group's exposure to currency risk for all financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes in foreign currency represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date.

(e) Equity price risk

The Group is exposed to price risk arising from securities investments classified as financial assets at fair value through profit or loss (see note 23).

As at the balance sheet 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 decreased/increased by approximately HK$9,099,000 *(2011: net profit would be increased/decreased by approximately HK$2,484,000)* due to change in the fair value of financial assets at fair value through profit or loss. 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 2011.

Notes to the Financial Statements

6. FINANCIAL INSTRUMENTS *(Continued)*

(f) Fair value

In the opinion of the Directors, the carrying amounts of financial assets and liabilities approximate their fair values.

The following presents the carrying value of financial instruments measured at fair value as at 31st December 2012 across the three levels of the fair value hierarchy defined in HKFRS 7, *Financial Instruments: Disclosures*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments;
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data; and
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

Assets/(Liabilities) measured at fair value

	2012 HK$'000	**Level 1 HK$'000**	**Level 2 HK$'000**	**Level 3 HK$'000**
Financial assets at fair value through profit or loss *(note 23)*	**55,361**	**55,361**	**–**	**–**
Financial liabilities at fair value through profit or loss *(note 30)*	**(98)**	**–**	**–**	**(98)**

	2011 HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Financial assets at fair value through profit or loss *(note 23)*	12,421	12,421	–	–
Available-for-sale financial assets *(note 20)*	1,954,113	–	–	1,954,113

During the years ended 31st December 2012 and 2011, there were no transfers between Level 1 and Level 2 fair value measurements.

Notes to the Financial Statements

6. FINANCIAL INSTRUMENTS *(Continued)*

(f) Fair value *(Continued)*

Financial instruments measured at fair value based on Level 3

The movements during the year in the balance of Level 3 fair value measurements are as follows:

Description	Financial liabilities at fair value through profit or loss		Available-for-sale financial assets	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Opening balance	**–**	–	**1,954,113**	3,062,027
In profit or loss				
Net loss on change in fair value	**(98)**	–	**–**	–
In other comprehensive income				
Increase/(Decrease) in fair value	**–**	–	**690,061**	(1,259,750)
Exchange realignment	**–**	–	**(10,787)**	151,836
Transfer to interest in a jointly controlled entity	**–**	–	**(2,633,387)**	–
Closing balance	**(98)**	–	**–**	1,954,113
Total gains or losses for the year included in profit or loss for financial instruments held as at the balance sheet date	**(98)**	–	**–**	–

Basis of determining fair value of financial liabilities at fair value through profit or loss has been detailed in note 30. As at the balance sheet date, if the expected volatility of the investment portfolio held by Up Spacious Global Investments Limited ("Up Spacious"), a subsidiary of the Company, had been 20% higher or lower while all other variables were held constant, the Group's net loss would be increased by approximately HK$366,000 or decreased by approximately HK$88,000 respectively.

Notes to the Financial Statements

7. SEGMENT INFORMATION

For management purposes, the current major operating segments of the Group are information home appliances, investing and trading.

The information home appliances segment is principally engaged in manufacture, sales, distribution of information home appliances and complementary products to consumer markets.

The investing segment comprises investing in available-for-sale financial assets, trading of securities and interest in a jointly controlled entity which is principally engaged in investing in available-for-sale financial assets.

The trading segment is principally engaged in selling electronic components, plastic and miscellaneous products.

Other operations of the Group mainly comprise the leasing out of properties.

For the purpose of assessing the performance of the operating segments and allocating resources between segments, the Executive Directors assess segment profit or loss before income tax without allocation of finance costs, changes in fair value of investment properties, settlement fee in respect of court settlement, Directors' emoluments, head office staff salaries, legal and professional fees and other administrative costs and the basis of preparing such information is consistent with that of the consolidated financial statements.

All assets are allocated to reportable segments other than head office bank balances and other unallocated financial and corporate assets which are managed on a group basis. All liabilities are allocated to reportable segments other than settlement fee payable and unallocated head office and corporate liabilities which are managed on a group basis.

Inter-segment sales transactions are charged at prevailing market rates.

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, other revenue and net income, segment results and segment assets and liabilities by business segments is as follows:

For the year ended 31st December 2012

	Information home appliances HK$'000	Investing HK$'000	Trading HK$'000	Other operations HK$'000	Elimination HK$'000	Consolidated HK$'000
TURNOVER						
External sales	790,097	–	886	–	–	790,983
Inter-segment sales	–	–	10,715	–	(10,715)	–
OTHER REVENUE AND NET INCOME	1,131	1,054	150	8,825	(2,787)	8,373
SHARE OF RESULTS OF A JOINTLY CONTROLLED ENTITY	–	23,698	–	–	–	23,698
Total	791,228	24,752	11,751	8,825	(13,502)	823,054
RESULTS						
Segment results	19,053	24,275	(65)	3,313	–	46,576
Unallocated corporate income						225
Interest income						893
Fair value gain on investment properties	–	–	–	10,180	–	10,180
Settlement fee in respect of court settlement						(518,436)
Other unallocated corporate expenses						(28,620)
						(489,182)
Finance costs						(7,439)
Loss before taxation						(496,621)
Taxation						(3,543)
Loss for the year						(500,164)

Notes to the Financial Statements

7. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

As at 31st December 2012

	Information home appliances HK$'000	Investing HK$'000	Trading HK$'000	Other operations HK$'000	Unallocated HK$'000	Consolidated HK$'000
ASSETS						
Interest in a jointly controlled entity	–	2,535,249	–	–	–	2,535,249
Other assets	426,820	144,942	7,484	64,149	–	643,395
Segment assets	426,820	2,680,191	7,484	64,149	–	3,178,644
Unallocated corporate assets					17,758	17,758
Consolidated total assets						3,196,402
LIABILITIES						
Segment liabilities	258,325	21,596	2,900	11,555	–	294,376
Settlement fee payable	–	–	–	–	520,291	520,291
Unallocated corporate liabilities					23,778	23,778
Consolidated total liabilities						838,445
OTHER INFORMATION						
Capital additions	6,401	–	–	–	31	6,432
Depreciation and amortisation	7,514	–	578	563	170	8,825
Impairment on inventories	8,014	–	–	–	–	8,014
Bad debts	18	–	–	–	–	18
Impairment in respect of trade receivables	235	–	–	–	–	235
Reversal of impairment in respect of trade receivables	–	–	(150)	–	–	(150)
Impairment on other receivables	–	–	–	–	822	822
Reversal of impairment on other receivables	(3,932)	–	–	–	–	(3,932)

Notes to the Financial Statements

7. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

For the year ended 31st December 2011

	Information home appliances HK$'000	Investing HK$'000	Trading HK$'000	Other operations HK$'000	Elimination HK$'000	Consolidated HK$'000
TURNOVER						
External sales	609,292	–	852	–	–	610,144
Inter-segment sales	–	–	12,365	–	(12,365)	–
OTHER REVENUE AND NET INCOME	743	34,170	51	6,412	(2,352)	39,024
Total	610,035	34,170	13,268	6,412	(14,717)	649,168
RESULTS						
Segment results	22,980	24,512	(298)	2,905	–	50,099
Unallocated corporate income						380
Interest income						547
Fair value gain on investment properties	–	–	–	3,180	–	3,180
Other unallocated corporate expenses						(14,426)
Profit from operations						39,780
Finance costs						(4,428)
Profit before taxation						35,352
Taxation						(1,368)
Profit for the year						33,984

Notes to the Financial Statements

7. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

As at 31st December 2011

	Information home appliances HK$'000	Investing HK$'000	Trading HK$'000	Other operations HK$'000	Unallocated HK$'000	Consolidated HK$'000
ASSETS						
Segment assets	454,278	2,040,440	5,662	53,657	–	2,554,037
Unallocated corporate assets					21,537	21,537
Consolidated total assets						2,575,574
LIABILITIES						
Segment liabilities	283,824	1,228	3,365	11,466	–	299,883
Unallocated corporate liabilities					14,017	14,017
Consolidated total liabilities						313,900
OTHER INFORMATION						
Capital additions	6,458	–	–	–	63	6,521
Depreciation and amortisation	6,691	–	455	513	280	7,939
Impairment on inventories	35	–	322	–	–	357
Reversal of write-down of inventories	–	–	(380)	–	–	(380)
Impairment in respect of trade receivables	47	–	9	–	–	56
Reversal of impairment in respect of trade receivables	–	–	(68)	–	–	(68)
Impairment on other receivables	3,857	–	–	–	–	3,857

Notes to the Financial Statements

7. SEGMENT INFORMATION *(Continued)*

Geographical information

The Group operates in the following principal geographical areas: the People's Republic of China (other than Hong Kong and Macau) (the "PRC"), Hong Kong, Australia and Russia.

The following table sets out information about the geographical location of (i) the Group's revenue from external customers; and (ii) the Group's non-current assets other than interest in a jointly controlled entity and available-for-sale financial assets. The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the non-current assets is based on the physical location of the assets.

	Revenue from external customers		Non-current assets	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
The PRC	**518,346**	393,868	**105,715**	108,151
Hong Kong	**73,223**	62,982	**49,385**	39,426
Australia	**99,265**	35,911	**–**	–
Russia	**61,994**	97,810	**–**	–
Other overseas markets	**38,155**	19,573	**–**	–
	790,983	610,144	**155,100**	147,577

In addition to the information disclosed above, the Group generated other revenue and net income from information home appliances segment of approximately HK$1,130,000 *(2011: approximately HK$600,000)* and approximately HK$1,000 *(2011: approximately HK$143,000)* in the PRC and Hong Kong respectively, and the Group generated other revenue and net income from investing segment of approximately HK$8,000 *(2011: approximately HK$33,823,000)* and approximately HK$1,046,000 *(2011: approximately HK$347,000)* in the PRC and Hong Kong respectively.

The Group also generated other revenue and net income from trading segment of approximately HK$150,000 *(2011: approximately HK$51,000)* in the PRC, and the Group generated other revenue and net income from other operations segment of approximately HK$4,646,000 *(2011: approximately HK$2,780,000)* and approximately HK$1,392,000 *(2011: approximately HK$1,280,000)* in the PRC and Hong Kong respectively.

Information about major customers

Revenues from external customers contributing over 10% of the total revenue from the Group's information home appliances segment are as follows:

	2012 HK$'000	2011 HK$'000
Customer A	**512,877**	392,854
Customer B	**99,263**	N/A
Customer C	**N/A**	62,980
Customer D	**N/A**	97,810
	612,140	553,644

Notes to the Financial Statements

8. OTHER REVENUE AND NET INCOME

	2012 HK$'000	2011 HK$'000
Other revenue		
Dividend income from unlisted securities	–	33,807
Dividend income from listed securities	160	363
Interest income	893	547
Rental income from investment properties	1,392	1,280
Rental income from buildings	4,646	2,780
Sundry income	1,356	1,106
	8,447	39,883
Other net income		
Net unrealised holding gain on financial assets at fair value through profit or loss	894	–
Reversal of impairment in respect of trade receivables	150	68
	1,044	68
	9,491	39,951

Notes to the Financial Statements

9. (LOSS)/PROFIT FROM OPERATIONS

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

	2012 **HK$'000**	2011 HK$'000
Auditor's remuneration	**1,040**	995
Bad debts	**18**	–
Impairment in respect of trade receivables	**235**	56
Impairment on other receivables	**822**	3,857
Amortisation of prepaid lease payments	**380**	372
Depreciation of property, plant and equipment	**8,445**	7,567
Cost of inventories	**697,869**	523,306
Foreign exchange loss	**53**	1,066
Loss on disposal of property, plant and equipment	**141**	193
Reversal of write-down of inventories*	**–**	(380)
Reversal of impairment in respect of trade receivables	**(150)**	(68)
Reversal of impairment on other receivables	**(3,932)**	–
Impairment on inventories	**8,014**	357
Loss on disposal of financial assets at fair value through profit or loss	**247**	4,014
Net unrealised holding (gain)/loss on financial assets at fair value through profit or loss	**(894)**	5,612
Direct outgoings from leasing of investment properties	**7**	8
Operating lease charges on premises	**3,534**	3,654
Research and development costs	**116**	842
Staff costs (including Directors' emoluments *(note 10)*):		
Salaries and allowances	**72,042**	55,179
Retirement benefits scheme contributions	**8,308**	6,287
Total staff costs	**80,350**	61,466

* *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 *(2011: seven)* Directors were as follows:

Name of Director	Fees HK$'000	Other emoluments: Salaries, allowances and other benefits in kind HK$'000	Other emoluments: Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive Directors				
Zhu Wei Sha	**–**	**641**	**13**	**654**
Chen Fu Rong	**–**	**360**	**94**	**454**
Shi Guang Rong	**–**	**485**	**94**	**579**
Wang An Zhong	**–**	**377**	**94**	**471**
Independent Non-executive Directors				
Wu Jia Jun	**70**	**–**	**–**	**70**
Zhong Peng Rong	**70**	**–**	**–**	**70**
Shen Yan	**70**	**–**	**–**	**70**
Total for 2012	**210**	**1,863**	**295**	**2,368**
Executive Directors				
Zhu Wei Sha	–	600	12	612
Chen Fu Rong	–	360	63	423
Shi Guang Rong	–	480	63	543
Wang An Zhong	–	374	63	437
Independent Non-executive Directors				
Wu Jia Jun	70	–	–	70
Zhong Peng Rong	70	–	–	70
Shen Yan	70	–	–	70
Total for 2011	210	1,814	201	2,225

During the years 2012 and 2011, no emolument was 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 emolument during the year.

Notes to the Financial Statements

11. INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the year, none of the Director *(2011: Nil)* is included in the five highest paid individuals of the Group. Details of Directors' emoluments are set out in note 10 above. The emoluments of the remaining five *(2011: five)* highest paid individuals, who are employees of the Group, are as follows:

	2012 HK$'000	2011 HK$'000
Basic salaries, allowances and other benefits in kind	**4,533**	3,194
Retirement benefits scheme contributions	**291**	210
	4,824	3,404

The emoluments of the above five *(2011: five)* highest paid individuals fell within the following bands:

	2012 Number of individuals	2011 Number of individuals
HK$Nil – HK$1,000,000	**4**	5
HK$1,000,001 – HK$2,000,000	**1**	–
	5	5

12. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Interest on bank loans wholly repayable within five years	**7,122**	4,084
Interest on bank loans wholly repayable over five years	**317**	344
Total borrowing costs	**7,439**	4,428

The analysis shows the finance costs of bank loans, including term loans which contain a repayment on demand clause, in accordance with the agreed scheduled repayment dates set out in the loan agreements. For the year ended 31st December 2012, the interest on bank loans which contain a repayment on demand clause amounted to approximately HK$317,000 *(2011: approximately HK$344,000)*.

Notes to the Financial Statements

13. TAXATION

The taxation charged to profit or loss represents:

	2012 HK$'000	2011 HK$'000
Current tax		
Hong Kong profits tax		
Current year	–	187
Overprovision in prior year	(12)	–
	(12)	187
PRC enterprise income tax	3,555	1,181
	3,543	1,368
Deferred taxation		
Origination and reversal of temporary difference	1,381	(144)
Benefit of tax losses recognised	(1,381)	144
	–	–
Charge for the year	3,543	1,368

Hong Kong Profit Tax has not been provided as the estimated assessable profits for the year are wholly absorbed by unrelieved tax losses brought forward from previous years. Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits from Hong Kong for 2011.

The income tax provision in respect of operations in the PRC is calculated at the applicable tax rate of 25% on the estimated assessable profits for 2012 and 2011 based on existing legislation, interpretations and practices in respect thereof. A subsidiary of the Company has been officially designated by the local tax authority as "New and High Technology Enterprise". As a result, the effective tax rate for this subsidiary is 15% *(2011: 15%)* for 2012.

Reconciliation between tax expenses and accounting profit at applicable tax rates:

	2012 HK$'000	2011 HK$'000
(Loss)/Profit before taxation	(496,621)	35,352
Tax at a weighted average rate of 25.13% *(2011: 22.46%)* applicable to the jurisdictions concerned	(124,793)	7,941
Tax effect of non-deductible expenses	127,136	756
Tax effect of non-taxable income	(2,196)	(9,152)
Tax effect of utilisation of tax losses not previously recognised	(2,128)	(2,906)
Tax effect of unrecognised tax losses and timing differences	5,284	4,600
Tax effect of overprovision in prior year	(12)	–
Others	252	129
Tax expenses for the year	3,543	1,368

Notes to the Financial Statements

13. TAXATION *(Continued)*

Recognised deferred tax assets and liabilities

	Assets		Liabilities	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Depreciation allowances	**–**	–	**(118)**	(1,499)
Tax losses	**118**	1,499	**–**	–
Deferred tax assets/(liabilities)	**118**	1,499	**(118)**	(1,499)
Offsetting	**(118)**	(1,499)	**118**	1,499
Net deferred tax assets/(liabilities)	**–**	–	**–**	–

Unrecognised deferred tax assets arising from

	2012	2011
	HK$'000	HK$'000
Deductible temporary differences	**59,982**	56,367
Tax losses	**94,430**	127,250
	154,412	183,617

As at 31st December 2012, the Group had unrecognised deferred tax assets of approximately HK$33,266,000 *(2011: approximately HK$42,058,000)* 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 utilised, deferred tax assets have not been recognised. The expiry of unrecognised tax losses are as follows:

	2012	2011
	HK$'000	HK$'000
Tax losses without expiry date	**34,452**	30,799
Tax losses expiring on 31st December 2017	**2,588**	–
Tax losses expiring on 31st December 2016	**6,005**	5,785
Tax losses expiring on 31st December 2015	**8,204**	9,587
Tax losses expiring on 31st December 2014	**24,269**	56,240
Tax losses expiring on 31st December 2013	**18,912**	6,248
Tax losses expiring on 31st December 2012	**–**	18,591
	94,430	127,250

The profits earned by PRC subsidiaries from 1st January 2008 onwards would be subject to withholding tax if they are distributed. The estimated withholding tax effects on the distribution of retained profits of these PRC subsidiaries were approximately HK$10,503,000 *(2011: approximately HK$8,104,000)*. In the opinion of the Directors, all undistributed profits are expected to be retained in the PRC subsidiaries and not to be remitted out of the PRC in the foreseeable future. Accordingly, no provision for deferred tax have been made.

Notes to the Financial Statements

14. (LOSS)/PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT AND DIVIDENDS

The (loss)/profit attributable to owners of the parent includes a loss of approximately HK$5,155,000 *(2011: approximately HK$3,377,000)* which has been dealt with in the financial statements of the Company.

No dividend was paid or proposed during the year and up to the date of these consolidated financial statements *(2011: HK$Nil)*.

15. (LOSS)/EARNINGS PER SHARE

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

	2012 HK$'000	2011 HK$'000
(Loss)/Profit attributable to owners of the parent	**(499,954)**	33,984

	2012 '000	2011 '000
Issued ordinary shares at 1st January	**1,735,120**	1,734,200
Effect of share options exercised	**7,125**	175
Weighted average number of ordinary shares for basic (loss)/earnings per share	**1,742,245**	1,734,375
Effect of dilutive potential ordinary shares:		
Exercise of share options	**N/A**	29,019
Weighted average number of ordinary shares for diluted (loss)/earnings per share	**1,742,245**	1,763,394
(Loss)/Earnings per share:		
– Basic	**(28.70) cents**	1.96 cents
– Diluted *(Note)*	**(28.70) cents**	1.93 cents

Note: Diluted loss per share is the same as the basic loss per share for the year ended 31st December 2012 because the effect of potential ordinary shares is anti-dilutive.

The calculation of diluted earnings per share for the year ended 31st December 2011 is based on the profit attributable to owners of the parent of approximately HK$33,984,000, and the weighted average number of ordinary shares issued during the year of approximately 1,734,375,000 after adjusting for the number of dilutive potential ordinary shares arising from the outstanding share options granted under the Company's share option scheme.

Notes to the Financial Statements

16. INVESTMENT PROPERTIES

	Group	
	2012	2011
	HK$'000	HK$'000
At fair value		
At beginning of year	**36,300**	33,120
Fair value gains	**10,180**	3,180
At balance sheet date	**46,480**	36,300

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

The investment properties were revalued as at 31st December 2012 on an open market basis by Vigers Appraisal & Consulting Limited ("Vigers"), which are independent qualified professional valuers not connected with the Group and with 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$'000 *(Note (a))*	Leasehold property HK$'000 *(Note (b))*	Leasehold improvements HK$'000	Office equipment, furniture and fixtures HK$'000	Plant & machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
Reconciliation of carrying amounts – year ended 31st December 2011							
At beginning of year	69,155	2,831	10,779	2,776	8,447	716	94,704
Additions	–	–	7	1,216	5,298	–	6,521
Disposal	–	–	–	(139)	(92)	(33)	(264)
Depreciation	(2,773)	(99)	(1,476)	(1,039)	(2,082)	(98)	(7,567)
Exchange realignment	3,364	–	499	113	359	33	4,368
At balance sheet date	69,746	2,732	9,809	2,927	11,930	618	97,762
Reconciliation of carrying amounts – year ended 31st December 2012							
At beginning of year	69,746	2,732	9,809	2,927	11,930	618	97,762
Additions	–	–	8	943	5,046	435	6,432
Disposal	–	–	–	(76)	(9)	(122)	(207)
Depreciation	(2,827)	(99)	(1,495)	(1,194)	(2,718)	(112)	(8,445)
Exchange realignment	(27)	–	(8)	(5)	(12)	(1)	(53)
At balance sheet date	**66,892**	**2,633**	**8,314**	**2,595**	**14,237**	**818**	**95,489**
As at 1st January 2012							
Cost	89,610	2,972	22,094	10,095	39,463	4,124	168,358
Accumulated depreciation and impairment losses	(19,864)	(240)	(12,285)	(7,168)	(27,533)	(3,506)	(70,596)
	69,746	2,732	9,809	2,927	11,930	618	97,762
As at 31st December 2012							
Cost	89,588	2,972	22,097	10,540	44,455	3,482	173,134
Accumulated depreciation and impairment losses	(22,696)	(339)	(13,783)	(7,945)	(30,218)	(2,664)	(77,645)
	66,892	**2,633**	**8,314**	**2,595**	**14,237**	**818**	**95,489**

Notes:

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

(b) The leasehold property is situated in Hong Kong and held under medium-term lease.

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$13,131,000 *(2011: approximately HK$13,515,000)*. The amount to be amortised within the next twelve months after the balance sheet date of approximately HK$382,000 *(2011: approximately HK$382,000)* is included in current assets.

19. INTERESTS IN SUBSIDIARIES

	Company	
	2012	2011
	HK$'000	HK$'000
Unlisted shares, at cost	**176,000**	176,000
Amounts due from subsidiaries *(Note (a))*	**462,851**	465,112
	638,851	641,112
Amounts due to subsidiaries *(Note (b))*	**(4,872)**	(4,872)

Notes:

(a) Amount due from a subsidiary with carrying amount of HK$3,500,000 *(2011: HK$7,000,000)* is unsecured, interest-bearing at a rate of 5% per annum and not expected to be realised in the next twelve months from the balance sheet date. All other amounts due from subsidiaries are unsecured, interest-free and not expected to be realised in the next twelve months from the balance sheet date.

(b) The amounts due 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 2012 are set out in note 35.

20. INTEREST IN A JOINTLY CONTROLLED ENTITY/AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2012	2011
	HK$'000	HK$'000
Interest in a jointly controlled entity		
Share of net assets *(Note (b))*	**2,535,249**	–
Available-for-sale financial assets		
Unlisted equity securities, at fair value	**–**	1,954,113

Notes to the Financial Statements

20. INTEREST IN A JOINTLY CONTROLLED ENTITY/AVAILABLE-FOR-SALE FINANCIAL ASSETS *(Continued)*

Details of the jointly controlled entity at the end of the reporting period are as follows:

Name of jointly controlled entity	Principal place of operation/ Place of incorporation	Particular of registered capital	Proportion of registered capital held by the Company	Principal activity
JI	The PRC	100,000,000	36.66%	Investment in A shares of Ping An Insurance (Group) Company of China, Ltd. ("Ping An Shares")

Summary of financial information of the jointly controlled entity is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Share of the jointly controlled entity's assets and liabilities:		
Non-current assets	**2,626,884**	–
Current assets	**76,648**	–
Current liabilities	**(70,860)**	–
Non-current liabilities	**(97,423)**	–
Net assets	**2,535,249**	–
Share of the jointly controlled entity's results:		
Revenue	**26,002**	–
Expenses	**(2,304)**	–
	23,698	–

The above financial information is prepared using the same accounting policies as those adopted by the Group.

Notes to the Financial Statements

20. INTEREST IN A JOINTLY CONTROLLED ENTITY/AVAILABLE-FOR-SALE FINANCIAL ASSETS *(Continued)*

Notes:

(a) Pursuant to the acquisition 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 JI, a company which holds, among others, Ping An Shares which was listed on 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 Foshan Sanshui Jianlibao Health Industry Investment Company Limited ("SJHII"), a company in which Mr. Zhu Wei Sha ("Mr. Zhu"), a Director of the Company, had an effective 8.1% equity interest. Mr. Zhu ceased to have any equity interest 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, 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).

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.

The Intermediate People's Court of Foshan, Guangdong Province, the PRC (the "Intermediate Court of Foshan") 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. However, the Directors were not aware of the background and reasons for these two standby moratoriums, as further detailed in the Company's announcement on 6th November 2007. The terms of the two standby moratoriums were previously extended on 31st October 2011 by the Higher People's Court of the Guangdong Province, the PRC (the "Guangdong Higher Court") to 3rd December 2012. The Group was further notified by the Guangdong Higher Court on 25th February 2013 that the two moratoriums imposed on the above 16.5329% equity interest in JI would be extended to 3rd December 2013.

As at 31st December 2011, the Group recognised the 36.66% equity interest in JI as available-for-sale financial assets based on a bilateral agreement entered into between Golden Yuxing and another shareholder of JI ("JI Shareholder") who holds 63.34% equity interest in JI on 15th September 2009, under which both parties agreed on rights to the interests in Ping An Shares attributed to each of Golden Yuxing and JI Shareholder, including rights to profit sharing, share replacement rights, the rights to pledge shares and use them for guarantee, voting rights and methods for equity transfers in future, etc. According to the bilateral agreement, Golden Yuxing holds the equity interest in 51,000,000 Ping An Shares through JI, while Golden Yuxing has no significant influence over JI's financial and operating policy decisions.

As detailed in the announcements of the Company dated 15th May 2012 and 29th June 2012, the JI Shareholder had agreed to transfer the 63.34% equity interest (the "JI Equity Transfer") in JI to 林芝正大環球投資有限公司 ("New JI Shareholder"). On 8th June 2012, Golden Yuxing entered into a bilateral agreement (the "Agreement") with the New JI Shareholder for the purpose of governing their respective interest in Ping An Shares through their equity interest in JI. The Agreement became effective immediate upon completion of the relevant registration of JI Equity Transfer on 14th June 2012. According to the Agreement, all significant matters of JI have to be approved by both shareholders. In the opinion of the Directors, whilst both Golden Yuxing and the New JI Shareholder share joint control over the economic activities of JI and none of the participating parties has unilateral control over the economic activities of JI, the associated economic benefits of the 51,000,000 Ping An Shares attributed to Golden Yuxing remain unchanged. The Group's 36.66% equity interest in JI has therefore become an interest in a jointly controlled entity. As a result, the Group ceased to recognise its equity interest in 51,000,000 Ping An Shares through the 36.66% equity interest in JI as available-for-sale financial assets on 14th June 2012 but continues to recognise its equity interest in 51,000,000 Ping An Shares through an interest in a jointly controlled entity.

Notes to the Financial Statements

20. INTEREST IN A JOINTLY CONTROLLED ENTITY/AVAILABLE-FOR-SALE FINANCIAL ASSETS *(Continued)*

Notes: (Continued)

(a) *(Continued)*

Immediately prior to the effective date of the Agreement on 14th June 2012, the equity interest in JI held by the Group was revalued by Vigers to approximately RMB2,146,737,000 (equivalent to approximately HK$2,633,387,000) *(as at 31st December 2011: approximately RMB1,584,200,000 (equivalent to approximately HK$1,954,113,000))*. The valuation was arrived at by reference to the PRC financial statements of JI as at the effective date of the Agreement and adjusted by the market value of 51,000,000 Ping An Shares as at the effective date of the Agreement. In determining the market value of Ping An Shares, the impact on the freezing order as detailed in note 29 has been taken into consideration by using the Discount For Lack Of Marketability Model. The Group recorded a revaluation surplus on the equity interest in JI of approximately RMB562,537,000 (equivalent to approximately HK$690,061,000) *(for the year ended 31st December 2011: revaluation deficit of approximately RMB1,021,278,000 (equivalent to approximately HK$1,259,750,000))* during the period from 1st January 2012 to 14th June 2012.

(b) Included in the share of net assets of a jointly controlled entity was 51,000,000 Ping An Shares with fair value of approximately HK$2,529,461,000 as at 31st December 2012 for which the Group holds beneficial interest specifically to these 51,000,000 Ping An Shares through JI in accordance with the Agreement as mentioned in *Note (a)* above. As at 31st December 2012, the fair value of 51,000,000 Ping An Shares was determined by Vigers, which was based on its market value with the impact of freezing order and the relevant releasing arrangement as specified in the court settlement in note 29 being taken into consideration by using the Discount For Lack of Marketability Model. Accordingly, a loss on change in fair value of Ping An Shares (net of tax) of approximately RMB89,788,000 (equivalent to approximately HK$110,727,000) was resulted during the period from the effective date of the Agreement on 14th June 2012 to 31st December 2012 and recorded in other comprehensive loss.

21. INVENTORIES

	Group	
	2012	2011
	HK$'000	HK$'000
Merchandise	**–**	1
Raw materials	**39,858**	37,513
Work-in-progress	**16,934**	37,847
Finished goods	**26,220**	20,392
	83,012	95,753

Notes to the Financial Statements

22. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade and bills receivables	**152,185**	179,990	**–**	–
Less: Impairment in respect of trade receivables	**(3,999)**	(4,388)	**–**	–
	148,186	175,602	**–**	–
Other receivables, net of impairment	**17,614**	27,006	**900**	1
Prepayments and deposits	**16,990**	6,278	**294**	313
	182,790	208,886	**1,194**	314

The amount of the Group's trade and other receivables expected to be recovered or recognised as expense after more than one year is approximately HK$2,697,000 *(2011: HK$Nil)*. All of the other trade and other receivables are expected to be recovered or recognised as expenses within one year.

During the year, the Group discounted trade receivables to banks under the factoring arrangements in exchange for cash on a full recourse basis. The Group continues to recognise the full carrying amount of the discounted trade receivables and has recognised the cash received as secured bank loans and included in note 25. At the balance sheet date, the carrying amount of discounted trade receivables, which represented transferred assets of the Group measured at amortised cost that were not qualified for derecognition, was approximately HK$47,088,000. The carrying amount of the associated liabilities were approximately HK$47,076,000. If the trade receivables were not settled at maturity, the banks have the right to request the Group to pay the unsettled balance.

Notes to the Financial Statements

22. TRADE AND OTHER RECEIVABLES *(Continued)*

The Group grants its trade customers an average credit period from 30 days to 18 months *(2011: 30 to 120 days)*. The ageing analysis of trade and bills receivables (net of impairment) by delivery date at the balance sheet date is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
0-30 days	**77,323**	99,390
31-60 days	**19,850**	54,980
61-90 days	**46,846**	18,069
Over 90 days	**4,167**	3,163
	148,186	175,602

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 movements in the impairment in respect of trade receivables during the year are as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
As at 1st January	**4,388**	4,771
Impairment losses recognised	**235**	56
Reversal of impairment loss	**(150)**	(68)
Write off	**(471)**	(536)
Exchange realignment	**(3)**	165
As at 31st December	**3,999**	4,388

The movements in the impairment on other receivables during the year are as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
As at 1st January	**4,378**	410
Impairment losses recognised	**822**	3,857
Reversal of impairment loss	**(3,932)**	–
Exchange realignment	**(12)**	111
As at 31st December	**1,256**	4,378

Notes to the Financial Statements

22. 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	
	2012	2011
	HK$'000	HK$'000
Neither past due nor impaired	**135,115**	151,585
Less than 3 months past due	**4,602**	21,307
3 months to 6 months past due	**–**	30
6 months to 9 months past due	**5,749**	132
Past due over 9 months	**2,720**	2,548
Past due but not impaired	**13,071**	24,017
	148,186	175,602

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no history of default.

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.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2012	2011
	HK$'000	HK$'000
Held-for-trading investments (at market value):		
Listed equity securities in Hong Kong	**1,948**	8,313
Listed equity securities outside Hong Kong	**43,547**	4,108
Unlisted investment fund outside Hong Kong	**9,866**	–
	55,361	12,421

The fair value of listed equity securities is based on quoted market prices in active markets as at the balance sheet date. The fair value of unlisted investment fund is established by reference to the price quoted by the bank which is the fund administrator.

Notes to the Financial Statements

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables *(Note a)*	**154,904**	165,380	**–**	–
Other payables *(Note b)*	**17,487**	16,651	**4**	1
Accruals	**43,326**	24,889	**2,319**	503
	215,717	206,920	**2,323**	504

Note a: The ageing analysis of trade payables at the balance sheet date is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
0-30 days	**61,109**	64,839
31-60 days	**44,780**	48,134
61-90 days	**29,086**	27,618
Over 90 days	**19,929**	24,789
	154,904	165,380

Note b: Included in other payables was margin facilities with carrying amount of approximately HK$1,488,000 *(2011: approximately HK$1,228,000)* that were granted from a regulated securities broker under which financial assets at fair value through profit or loss of approximately HK$3,401,000 *(2011: approximately HK$4,731,000)* were treated as collateral for the facilities granted. The facilities bear interest at Hong Kong Prime Rate plus 2% per annum *(2011: Hong Kong Prime Rate plus 2% per annum)*.

Notes to the Financial Statements

25. BANK LOANS

Bank loans comprise:

	Group	
	2012	2011
	HK$'000	HK$'000
Current and secured		
Short-term loans	**88,209**	92,847
Portion of term loans from banks due for repayment within one year	**1,185**	1,156
Portion of term loans from banks due for repayment after one year	**10,791**	11,975
Term loans with a repayment on demand clause	**11,976**	13,131
	100,185	105,978
Analysis of the amounts due based on scheduled payment dates set out in the loan agreements (ignoring the effect of any repayment on demand clause) is as follows:		
On demand or within one year	**89,394**	94,003
After one but within two years	**1,216**	1,185
After two but within five years	**3,833**	3,736
After five years	**5,742**	7,054
	100,185	105,978

As at 31st December 2012, interests were charged on the bank loans at rates ranging from 2.45%-7.54% *(2011: 2.45%-7.26%)* per annum. Bank loans were secured by the assets of the Group as disclosed in note 28.

Notes to the Financial Statements

26. SHARE CAPITAL

	Number of shares		Amount	
	2012	2011	**2012**	2011
	'000	'000	**HK$'000**	HK$'000
Authorised:				
At beginning of year and 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	**1,735,120**	1,734,200	**43,378**	43,355
Exercise of share options *(Note)*	**12,386**	920	**310**	23
At end of year				
Ordinary shares of HK$0.025 each	**1,747,506**	1,735,120	**43,688**	43,378

Note:

For the year ended 31st December 2012, 12,386,000 *(2011: 920,000)* ordinary shares of HK$0.025 each were issued at total amount of approximately HK$3,685,000 *(2011: approximately HK$273,000)* as a result of the exercise of share options of the Company.

Notes to the Financial Statements

27. RESERVES

Group

	Share premium HK$'000 *(Note (b)(i))*	Statutory reserves HK$'000 *(Note (b)(ii))*	Contributed surplus HK$'000 *(Note (b)(iii))*	Share option reserves HK$'000 *(Note (b)(iv))*	Investment revaluation reserves HK$'000 *(Note (b)(v))*	Translation reserves HK$'000 *(Note (b)(vi))*	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000
As at 1st January 2011	36,691	20,190	234,621	30,398	2,363,238	524,624	72,387	3,282,149
Profit for the year	–	–	–	–	–	–	33,984	33,984
Other comprehensive loss:								
Change in fair value of available-for-sale financial assets	–	–	–	–	(1,259,750)	–	–	(1,259,750)
Exchange differences arising on translation of PRC subsidiaries	–	–	–	–	–	161,663	–	161,663
Total other comprehensive loss	–	–	–	–	(1,259,750)	161,663	–	(1,098,087)
Total comprehensive loss for the year	–	–	–	–	(1,259,750)	161,663	33,984	(1,064,103)
Transactions with owners:								
Issue of shares under share option scheme *(Note (a))*	312	–	–	(62)	–	–	–	250
Total transactions with owners	312	–	–	(62)	–	–	–	250
As at 31st December 2011 and as at 1st January 2012	37,003	20,190	234,621	30,336	1,103,488	686,287	106,371	2,218,296
Loss for the year	–	–	–	–	–	–	(499,954)	(499,954)
Other comprehensive income:								
Change in fair value of available-for-sale financial assets	–	–	–	–	690,061	–	–	690,061
Share of other comprehensive loss arising from interest in a jointly controlled entity (net of tax)	–	–	–	–	(110,727)	–	–	(110,727)
Exchange differences arising on translation of PRC subsidiaries	–	–	–	–	–	777	–	777
Total other comprehensive income	–	–	–	–	579,334	777	–	580,111
Total comprehensive income for the year	–	–	–	–	579,334	777	(499,954)	80,157
Transactions with owners:								
Issue of shares under share option scheme *(Note (a))*	4,690	–	–	(1,315)	–	–	–	3,375
Transfer from retained profits to statutory reserves	–	245	–	–	–	–	(245)	–
Total transactions with owners	4,690	245	–	(1,315)	–	–	(245)	3,375
As at 31st December 2012	**41,693**	**20,435**	**234,621**	**29,021**	**1,682,822**	**687,064**	**(393,828)**	**2,301,828**

Notes to the Financial Statements

27. RESERVES *(Continued)*

Company

	Share premium HK$'000 *(Note (b)(i))*	Contributed Surplus HK$'000 *(Note (b)(iii))*	Share option reserves HK$'000 *(Note (b)(iv))*	Retained profits HK$'000	Total HK$'000
As at 1st January 2011	36,691	380,621	30,398	151,827	599,537
Loss for the year	–	–	–	(3,377)	(3,377)
Total comprehensive loss for the year	–	–	–	(3,377)	(3,377)
Transactions with owners:					
Issue of shares under share option scheme *(Note (a))*	312	–	(62)	–	250
Total transactions with owners	312	–	(62)	–	250
As at 31st December 2011 and as at 1st January 2012	37,003	380,621	30,336	148,450	596,410
Loss for the year	–	–	–	(5,155)	(5,155)
Total comprehensive loss for the year	–	–	–	(5,155)	(5,155)
Transactions with owners:					
Issue of shares under share option scheme *(Note (a))*	4,690	–	(1,315)	–	3,375
Total transactions with owners	4,690	–	(1,315)	–	3,375
As at 31st December 2012	**41,693**	**380,621**	**29,021**	**143,295**	**594,630**

Notes to the Financial Statements

27. RESERVES *(Continued)*

Notes:

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

During the year ended 31st December 2012, options were exercised to subscribe for 12,386,000 *(2011: 920,000)* ordinary shares in the Company at a consideration of approximately HK$3,685,000 *(2011: approximately HK$273,000)* of which approximately HK$310,000 *(2011: approximately HK$23,000)* was credited to share capital and the balance of approximately HK$3,375,000 *(2011: approximately HK$250,000)* was credited to the share premium account. Approximately HK$1,315,000 *(2011: approximately HK$62,000)* 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 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. The transfer to the funds must be made before distributing dividends to shareholders.

For the year ended 31st December 2012, the Group transferred from retained profits of approximately HK$245,000 *(2011: HK$Nil)* to the statutory reserves.

(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 shares issued by the Company for each acquisition at the time of the Group reorganisation.

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

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

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

Notes to the Financial Statements

27. RESERVES *(Continued)*

Notes: (Continued)

(b) *Nature and purpose of reserves (Continued)*

(iv) 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.

(v) Investment revaluation reserves

The investment revaluation reserves comprise the cumulative net change in the fair value of an equity interest in Ping An Shares, net of tax.

(vi) Translation reserves

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

As at 31st December 2012, the total contributed surplus and retained profits of approximately HK$523,916,000 *(2011: approximately HK$529,071,000)* is available for distribution to owners of the parent.

28. PLEDGE OF ASSETS

As at 31st December 2012, the Group had pledged the following assets to secure the banking facilities:

(a) Investment properties of the Group with carrying value of HK$46,480,000 *(2011: HK$36,300,000)*;

(b) Prepaid lease payments, buildings and leasehold improvements of the Group with carrying values of approximately HK$13,513,000 *(2011: approximately HK$13,897,000),* approximately HK$66,892,000 *(2011: approximately HK$69,746,000)* and approximately HK$306,000 *(2011: approximately HK$330,000)* respectively;

(c) The trade receivables from third parties of the Group with carrying value of approximately HK$47,088,000 *(2011: approximately HK$45,885,000)*;

(d) A leasehold property of the Group with carrying value of approximately HK$2,633,000 *(2011: approximately HK$2,732,000)*; and

(e) Bank deposit of the Group with carrying value of approximately HK$24,318,000 *(2011: approximately HK$13,607,000).*

Notes to the Financial Statements

29. SETTLEMENT FEE PAYABLE

	Group	
	2012	2011
	HK$'000	HK$'000
Settlement fee in respect of court settlement charged to profit or loss	**518,436**	–
Exchange realignment	**1,855**	–
Balance as at 31st December	**520,291**	–
Portion classified as current liabilities	**(184,980)**	–
Non-current portion	**335,311**	–

Note:

As at 31st December 2012, the Group had the following pending litigations:

(a) In December 2008, Guangdong Jianlibao Group Company Limited ("JLB Group") initiated legal proceedings against (1) Mr. Zhu, Mr. Zhang Hai ("Mr. Zhang"), former chairman and chief executive officer of JLB Group, an independent third party of the Group, and the controlling shareholders, actual controller, directors, supervisors, senior management of Golden Yuxing, Beijing Yuxing Software Company Limited ("Yuxing Software"), Foshan Sanshui Zheng Tian Technology Investment Company Limited* (佛山市三水正天科技投資有限公司) ("Zheng Tian Technology") and Beijing Ling Si Information System Company Limited ("Beijing Ling Si") for infringing the interest of JLB Group; (2) Mr. Zhu, Mr. Zhang and the controlling shareholders, actual controller, directors, supervisors, senior management of Golden Yuxing, Foshan Zhixing Technology Company Limited ("Foshan Zhixing"), Zheng Tian Technology and Beijing Ling Si for infringing the interest of JLB Group; (3) Mr. Zhu, Mr. Zhang and the controlling shareholders, actual controller, directors, supervisors, senior management of Golden Yuxing, Sheng Bang Qiang Dian Electronics (Shenzhen) Company Limited ("Shenzhen Sheng Bang"), Zheng Tian Technology and Beijing Ling Si for infringing the interest of JLB Group; (4) Mr. Zhu, Mr. Zhang and the controlling shareholders, actual controller, directors, supervisors, senior management of Golden Yuxing, Zheng Tian Technology and Beijing Ling Si for infringing the interest of JLB Group; and (5) Mr. Zhu, Mr. Zhang and the controlling shareholders, actual controller, directors, supervisors, senior management of Golden Yuxing, Zhongshan Chuangjia Electronics Technology and Development Co.,Ltd.* (中山市創嘉電子科技發展有限公司) ("Zhongshan Chuangjia"), Zheng Tian Technology and Beijing Ling Si for infringing the interest of JLB Group (collectively the "Actions"). Golden Yuxing, Yuxing Software, Foshan Zhixing and Shenzhen Sheng Bang are wholly-owned subsidiaries of the Company, while Zheng Tian Technology, Beijing Ling Si and Zhongshan Chuangjia are independent third party of the Group. The Actions were first heard in the People's Court of Sanshui District, Foshan City, Guangdong Province, the PRC (the "Court of Sanshui") and in August 2009, they were transferred to the Intermediate Court of Foshan.

On 20th October 2009, the Group was notified by JI that the Intermediate Court of Foshan issued a notice of enforcement to JI on 4th September 2009, ordering JI to assist in freezing Golden Yuxing's 36.66% equity interest in JI and suspending the payment of dividends attributable to Golden Yuxing in respect of its equity interest in JI for a period from 7th September 2009 to 6th September 2011. In October 2011 and October 2012, the Group was further notified by JI that the freezing period extended to September 2012, and then further extended to September 2013 respectively. According to the legal opinion dated 15th March 2013 from the Group's PRC lawyers, Golden Yuxing is entitled to receive the dividend from JI but the suspension of the dividend payment is still in force. As the above freezing order will expire in September 2013, the dividend receivable from JI amounting to approximately HK$97,500,000 was classified as current asset as at 31st December 2012 *(2011: approximately HK$72,300,000).*

Notes to the Financial Statements

29. SETTLEMENT FEE PAYABLE *(Continued)*

Note: (Continued)

(a) *(Continued)*

On 11th January 2011, the Group received five civil judgments all dated 30th December 2010 from the Intermediate Court of Foshan which ruled that JLB Group was awarded damages of total amount of approximately RMB96,200,000 together with interests and costs to be borne by defendants including Mr. Zhu, Mr. Zhang, Golden Yuxing, Yuxing Software, Foshan Zhixing, Shenzhen Sheng Bang, Zheng Tian Technology, Beijing Ling Si and Zhongshan Chuangjia. The Company filed an appeal to the Guangdong Higher Court against the said judgements in January 2011, and now such judgements have no legal effect and which will be superseded by the final judgement from the appeal. On 28th July 2011, the Company received summons dated 21st July 2011 from the Guangdong Higher Court, requiring Golden Yuxing, Yuxing Software, Foshan Zhixing and Shenzhen Sheng Bang, all being wholly-owned subsidiaries of the Company, to attend the court hearing of the appeals. The PRC lawyers of the Group attended the court hearing on 2nd August 2011. As at the balance sheet date, no judgement for the appeal has been received from the Guangdong Higher Court. In the circumstances, none of the wholly-owned subsidiaries of the Group which are named as defendants in the judgements stated above will be required to satisfy the judgements and pay the damages together with interests and costs awarded by the Intermediate Court of Foshan.

As at 31st December 2012, certain cash and bank balances of the Group with carrying value of approximately HK$1,100,000 *(2011: approximately HK$1,100,000)* were frozen by the Intermediate Court of Foshan.

(b) In 2007, JLB Group lodged a petition with the 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 adjustments of shareholders' equity interest in 2006) 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), was invalid (the "Litigation").

On 18th February 2008, Golden Yuxing received a notification from the Guangdong Higher Court, which stated that 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 with Golden Yuxing without JLB Group's approval or authorisation. In addition, JLB Group alleged that the aggregate investment cost exceeded 50% of Golden Yuxing's net assets thereby violating Rule 12 of the Company Law then in force in the PRC. JLB Group therefore claimed that the share sale transaction was invalid and SJHII did not have the right to transfer the legal title of the JI's shares to Golden Yuxing. JLB Group thereby demanded the reversion and return of the JI's shares from Golden Yuxing to SJHII.

On 7th January 2009, the Group was awarded a judgment dated 23rd December 2008 from the Guangdong Higher Court which ruled that (1) the Acquisition and the registration of the transfer of the related equity interest in JI were legally valid; (2) the claim submitted by JLB Group to invalidate the Acquisition was rejected; and (3) the counter-claim filed by Golden Yuxing with the Guangdong Higher Court in May 2008 as a result of JLB Group's claim was also rejected.

On 25th June 2009, Golden Yuxing was notified by the Supreme People's Court of the PRC (the "Supreme Court") that an appeal had been lodged by JLB Group, and which was accepted by the Supreme Court.

In December 2009, the Group received the ((2009) Min Er Zhong Zi No. 53) civil ruling made on 20th November 2009 from the Supreme Court which ruled that upon the hearing, with regard to the Litigation, the Supreme Court was of the view that the trial judgement of the Guangdong Higher Court misapprehended the facts and therefore ruled (1) to revoke the civil ruling issued by the Guangdong Higher Court on 23rd December 2008; and (2) to return the case to the Guangdong Higher Court for rehearing.

No final award has been obtained for the Litigation after a number of hearings since the Supreme Court referred the Litigation on 20th November 2009 to the Guangdong Higher Court for retrial. In June 2012, the Group received a letter ((2008) Yue Gao Fa Min Er Chu Zi No. 9-1) made on 18th June 2012 from the Guangdong Higher Court to Golden Yuxing, which suggested a settlement for the Litigation between Golden Yuxing and JLB Group. The Board, having sought professional advice and after careful consideration, agreed that resolving the Litigation and all on-going Actions (together with Litigation, collectively referred as "Legal Proceedings") with JLB Group by way of court settlement may be the quickest method to settle all legal disputes as detailed in *Notes (a) and (b)* above to achieve a better outcome for the development of the Company and for the benefit of its shareholders. The Board has therefore authorised the Company's representatives and PRC lawyers to attend the settlement negotiation at the Guangdong Higher Court.

Notes to the Financial Statements

29. SETTLEMENT FEE PAYABLE *(Continued)*

As further detailed in the Company's announcement dated 30th January 2013, Golden Yuxing and JLB Group entered into a settlement agreement on 30th January 2013 ("Settlement Agreement") with a view to settling the Legal Proceedings. As a number of other parties were also involved in the Legal Proceedings, Golden Yuxing and JLB Group entered into another settlement agreement with the other involved parties. On 4th February 2013, Golden Yuxing and certain subsidiaries of the Company, JLB Group and all other involved parties entered into the final settlement agreement ("Final Settlement Agreement", and together with Settlement Agreement, collectively referred as "Settlement Agreements") pursuant to which Golden Yuxing agreed to pay the settlement fee of RMB450,000,000 ("Settlement Fee") to JLB Group or its designated entities in three tranches with a view to settling the Legal Proceedings and extinguishing any existing and possible claims, liabilities, or other rights and obligations that exist between the parties before signing the Final Settlement Agreement. In the meantime, the Company agreed to provide a guarantee ("New Guarantee") for a maximum amount of RMB450,000,000 to Golden Yuxing in favour of JLB Group in respect of the payment obligations of Golden Yuxing under the Settlement Agreements. The New Guarantee will be automatically terminated upon the full payment of the Settlement Fee. The Settlement Agreements and the provision of New Guarantee were subject to the approval of shareholders of the Company ("Shareholders") at the special general meeting of the Company ("SGM") before it comes into effect.

According to the Settlement Agreements, the first tranche of RMB150,000,000 shall be paid within six months from the date of release of 29.472% equity interest in JI (and hence the associated economic benefits of 41,000,000 Ping An Shares) from the freezing order by Guangdong Higher Court ("Release Date"). The dividend entitlement of 36.66% equity interest in JI will also be released from the freezing order at the Release Date. The second and third tranches of RMB150,000,000 and RMB150,000,000 respectively shall be paid within twelve months and eighteen months from the Release Date respectively. The remaining 7.188% equity interest in JI (and hence the associated economic benefits of 10,000,000 Ping An Shares) will be released from the freezing order upon the confirmation of payment of the second and third tranches by Guangdong Higher Court. In addition, the Group and JLB Group agree to terminate the Legal Proceedings and extinguish any existing and possible claims, liabilities, or other rights and obligations that exist between the parties before signing the Final Settlement Agreement. At the same time, the Group and JLB Group confirm that the acquisition agreement entered into on 10th August 2004 between Golden Yuxing and SJHII in respect of the transfer of equity interest in JI is legally valid.

The Settlement Agreements and the provision of New Guarantee were approved by the Shareholders at the SGM held on 18th March 2013. After completion of the Settlement Agreements, the Guangdong Higher Court will issue the Civil Mediation Agreement (民事調解書) on the basis of the Final Settlement Agreement.

The management, having assessed the development of court settlement and sought legal advice from its PRC lawyers, expects that the first tranche of settlement fee of RMB150,000,000 (equivalent to approximately HK$185,000,000) would be paid within one year and is therefore classified as current liabilities, and the remaining second and third tranches for an aggregate undiscounted amount of RMB300,000,000 (equivalent to approximately HK$370,000,000) will be fully paid in 2014. The fair value of the remaining second and third tranches is amounting to approximately RMB271,900,000 (equivalent to approximately HK$335,300,000), which is determined based on the present value of the estimated future cash flows discounted using an interest rate of 5.92% per annum, which is similar to the effective interest rate of the Group's bank borrowings.

* For identification purposes only

Notes to the Financial Statements

30. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

During the year, Yuxing Technology Company Limited ("YXT"), an indirect wholly-owned subsidiary of the Company, and a third party (the "Counterparty") established a new legal entity namely Up Spacious, a company incorporated in the British Virgin Islands ("BVI"). YXT holds 66.67% equity interest in Up Spacious with an initial investment cost of HK$20 million whereas the Counterparty holds the remaining shareholding of 33.33% in Up Spacious with an initial investment cost of HK$10 million. The principal activity of Up Spacious is trading of securities. Thereafter, YXT entered into a contract with the Counterparty pursuant to which the Counterparty has the right to receive a variable amount of cash payment (i.e. based on various ranges of target returns as specified in the contract) from YXT ("Call Option") if the profit to be shared by YXT from the investment portfolio of Up Spacious exceeds 16% per annum of YXT's capital contribution at the expiration of the contract on 4th April 2015 ("Expiration Date"). In the meantime, YXT is entitled to exercise a right to terminate the investment and receive a variable amount of cash payment (limited to HK$6.6 million, representing 33.33% of total capital contribution by YXT in Up Spacious) from the Counterparty ("Put Option") if the profit to be shared by YXT from the investment portfolio of Up Spacious is less than 16% per annum on YXT's capital contribution at the Expiration Date or the net asset value of Up Spacious reduced to HK$20.0 million (that is 2/3 of the initial capital contribution of the investors) on or before the Expiration Date. No cash consideration was paid by the Group or received from the Counterparty for the above Put Option and Call Option.

The net fair value gain of the above Put Option and Call Option was amounting to approximately HK$4,830,000 at the inception of the contract ("Day-one Gain"), which was valued by Vigers using Binomial Model. As the valuation was not only based on observable market data, the Group would not recognise such net Day-one Gain until the close of the position.

As at 31st December 2012, the fair value of the above Put Option and Call Option were re-measured by Vigers using Binomial Model and net loss on change in fair value of financial liabilities at fair value through profit or loss of approximately HK$98,000 was recognised to profit or loss for the year ended 31st December 2012.

Major inputs to the analysis of the options are summarised as follows:

Nature of derivatives	Put option	Call option
Underlying assets	Net assets value of Up Spacious	Net assets value of Up Spacious
Expected life	As at inception date of the contract ("Inception Date"): 2.5 years	As at Inception Date: 2.5 years
	As at 31st December 2012: 2.3 years	As at 31st December 2012: 2.3 years
Exercisable period	Between the Inception Date and the Expiration Date	On the Expiration Date (if Put Option is not exercised)
Expected volatility	As at Inception Date: 50.78%	As at Inception Date: 50.78%
	As at 31st December 2012: 47.81%	As at 31st December 2012: 47.81%
Risk free rate	As at Inception Date: 0.22%	As at Inception Date: 0.22%
	As at 31st December 2012: 0.33%	As at 31st December 2012: 0.33%

The exercise price of the options is set out in the contract entered into with the Counterparty as described above.

Notes to the Financial Statements

30. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

The expected volatility is determined with reference to the historical volatilities of the investment portfolio held by Up Spacious over the expected option period. The management has assumed that Up Spacious only holds the shares of a listed company in its investment portfolio throughout the expected option period.

The following table shows the changes in unrecognised Day-one Gain as at 31st December 2012:

	HK$'000
Fair value of contracts not recognised through profit or loss as at 1st January 2012	–
Net fair value gain of new contract at inception not recognised in profit or loss	4,830
Fair value of contracts not recognised through profit or loss as at 31st December 2012	4,830

31. OPERATING LEASE COMMITMENTS

(a) The Group as lessee

As at 31st December 2012, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Within one year	**4,124**	2,289
In the second to fifth year inclusive	**769**	1,437
	4,893	3,726

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

(b) The Group as lessor

The properties are expected to generate rental yields of 3.0% *(2011: 3.8%)* on an ongoing basis.

As at 31st December 2012, the Group had contracted with tenants for the following future minimum lease payments:

	Group	
	2012	2011
	HK$'000	HK$'000
Within one year	**7,098**	5,574
In the second to fifth year inclusive	**7,925**	10,429
Later than fifth year	**76**	97
	15,099	16,100

Notes to the Financial Statements

32. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme"), which was adopted pursuant to the ordinary resolutions passed by the Shareholders 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 Board 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

32. 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 the Shareholders' approval of the Scheme (the "Scheme Mandate Limit") or, if such 10% limit is refreshed, at the date of the 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 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 approval of the refreshment of the Scheme Mandate Limit at the annual general meeting. 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 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 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 forfeits; 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.

As at 31st December 2012, the total number of shares in respect of which share options had been granted and remained outstanding under the Scheme was 105,942,000 *(2011: 118,328,000)* representing 6.06% *(2011: 6.82%)* of the shares of the Company in issue at that date.

Notes to the Financial Statements

32. SHARE OPTION SCHEME *(Continued)*

(a) Movements in share options:

	Number of options 2012	2011
As at 1st January	**118,328,000**	119,248,000
Exercised during the year	**(12,386,000)**	(920,000)
As at 31st December	**105,942,000**	118,328,000
Options vested as at 31st December	**105,942,000**	118,328,000

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

Date of grant	Exercise period	Exercise price HK$	Number of options 2012	2011
26th December 2006	26th December 2006 – 17th May 2013	0.2975	**50,742,000**	63,128,000
4th September 2007	4th September 2007 – 17th May 2013	1.265	**55,200,000**	55,200,000
			105,942,000	118,328,000

Notes to the Financial Statements

32. SHARE OPTION SCHEME *(Continued)*

(c) Details of the movements of share options granted during the years ended 31st December 2012 and 2011 to subscribe for the shares in the Company are as follows:

For the year ended 31st December 2012

	Date of grant	Exercisable period	Exercise price HK$	As at 1st January 2012	Exercised during the year	Granted during the year	Forfeited during the year	As at 31st December 2012
Director								
– Mr. Wang An Zhong	26th December 2006	26th December 2006 – 17th May 2013	0.2975	1,600,000	(800,000)	–	–	**800,000**
– 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	58,008,000	(9,026,000)	–	–	**48,982,000**
	4th September 2007	4th September 2007 – 17th May 2013	1.265	55,200,000	–	–	–	**55,200,000**
				118,328,000	(12,386,000)	–	–	**105,942,000**
Exercisable as at 31st December 2012								**105,942,000**
Weighted average exercise price (HK$)				0.7488	0.2975	–	–	**0.8016**

Notes to the Financial Statements

32. SHARE OPTION SCHEME *(Continued)*

(c) *(Continued)*

For the year ended 31st December 2011

	Date of grant	Exercisable period	Exercise price HK$	As at 1st January 2011	Exercised during the year	Granted during the year	Forfeited during the year	As at 31st December 2011
Director								
– Mr. Wang An Zhong	26th December 2006	26th December 2006 – 17th May 2013	0.2975	1,600,000	–	–	–	1,600,000
– 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	58,928,000	(920,000)	–	–	58,008,000
	4th September 2007	4th September 2007 – 17th May 2013	1.265	55,200,000	–	–	–	55,200,000
				119,248,000	(920,000)	–	–	118,328,000
Exercisable as at 31st December 2011								118,328,000
Weighted average exercise price (HK$)				0.7454	0.2975	–	–	0.7488

The weighted average share price of the share options exercised during the year at the dates of exercise is HK$0.69 *(2011: HK$0.55)*.

Notes to the Financial Statements

32. 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 2012 were HK$Nil *(2011: HK$Nil)* and HK$Nil *(2011: HK$Nil)* 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

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

33. RETIREMENT BENEFITS SCHEME

The Group operates 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 profit or loss of approximately HK$8,308,000 *(2011: approximately HK$6,287,000)* represents contributions paid and payable to these schemes by the Group in respect of the current year.

Notes to the Financial Statements

34. RELATED PARTY TRANSACTIONS

Key management compensation

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

	2012 HK$'000	2011 HK$'000
Salaries	**3,060**	2,947
Housing allowances	**222**	222
Retirement benefits scheme contributions	**371**	267
	3,653	3,436

35. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31st December 2012 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:				
Yuxing Group (International) Limited	BVI/limited liability company	Investment holding/ the PRC and Hong Kong ("HK")	2,000 ordinary shares of US$1 each	100%
HyBroad Vision Holdings Limited	HK/limited liability company	Investment holding/HK	1 ordinary share of HK$1	100%
Indirect subsidiaries:				
Yuxing Software	The PRC/foreign wholly owned enterprise	Research and development ("R&D") and software design/the PRC	RMB10,610,850	100%

Notes to the Financial Statements

35. 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
Golden Yuxing	The PRC/sino-foreign co-operative joint venture	R&D, design, marketing, distribution and sales of information home appliances/ the PRC	US$4,582,000	100%
Sheng Bang Qiang Dian Electronics (Zhongshan) Company Limited	The PRC/foreign wholly owned enterprise	Manufacturing and sales of electronic components, plastic and miscellaneous products/the PRC	RMB123,000,000	100%
Yield Lasting Investments Limited	BVI/limited liability company	Property holding/HK	1 ordinary share of US$1	100%
YXT	HK/limited liability company	Trading and distribution of information home appliances and electronic components and investment holding/HK	2 ordinary shares of HK$1 each	100%
Guangdong HyBroad Vision Electronics Technology Company Limited	The PRC/domestic equity joint venture	Manufacturing, distribution and sales of information home appliances and R&D and software design/the PRC	RMB50,000,000	100%
HyBroad Vision (Hong Kong) Technology Company Limited	HK/limited liability company	Trading and distribution of information home appliances and electronic components/HK	10,000,000 ordinary shares of HK$1 each	100%
Up Spacious	BVI/limited liability company	Trading of securities/HK	3 ordinary shares of US$1 each	66.7%

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.