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 2013

* for identification purposes only

Yuxing InfoTech Investment Holdings Limited

Annual Report 2013

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

Yuxing InfoTech Investment Holdings Limited and its subsidiaries (collectively the "Group") are currently mainly engaged in information home appliances ("IHA"), investing and trading. The Company was incorporated in Bermuda as an exempted company on 6th October 1999 and was listed on GEM on 31st January 2000.

The Group is a conglomerate which combines commercial enterprise with investments. In terms of commercial business, the Group put the broadband internet digital audio and video products as leading products and focus on exploring markets for the three businesses of IHA, digital electronic consumable products and original equipment manufacturer, while accommodating comprehensive capabilities, including software and hardware development, mass-scale production, marketing and customer service capabilities, etc. On a global stage, the Group is an outstanding solutions provider and customized product manufacturer in the field of broadband digital audio and video technological products. In terms of investment business, the Group follows the principle of value investment, persisting with the characteristics of sound investment and team work to achieve stable increase in asset value on the basis of retaining value through methods such as financial innovation.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Zhu Wei Sha *(Chairman)*
Chen Fu Rong *(Deputy Chairman)*
Shi Guang Rong
Wang An Zhong
Zhu Jiang *(Appointed on 24th July 2013)*

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)*
Wang An Zhong
Wu Jia Jun
Zhong Peng Rong
Zhu Jiang

NOMINATION COMMITTEE

Zhu Wei Sha *(Chairman)*
Chen Fu Rong
Shen Yan
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
7th Floor, Block B, Tian Cheng Technology Building
No. 2, Xinfeng Street, De Shen Men Wai
Beijing

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

SHARE REGISTRARS AND TRANSFER OFFICES

Principal registrar
Codan Services Limited
Clarendon House, 2 Church Street
Hamilton HM11, Bermuda

Branch registrar
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Hong Kong

STOCK CODE

8005

WEBSITE ADDRESS

www.yuxing.com.cn

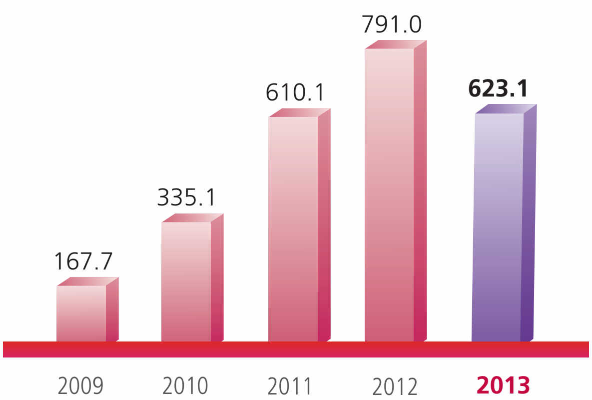
Financial Highlights and Calendar

FINANCIAL HIGHLIGHTS

	2013 HK$'000	2012 HK$'000
Revenue		
Turnover	**623,136**	790,983
Profitability		
Profit/(Loss) from operations	**2,349,981**	(512,880)
Profit/(Loss) attributable to owners of the parent	**2,167,412**	(499,954)
Net worth		
Total equity attributable to owners of the parent	**2,144,959**	2,345,516
	HK$	HK$
Per share		
Earnings/(Loss) per share – Basic	**1.22**	(0.29)
Net assets attributable to owners of the parent per share	**1.20**	1.34

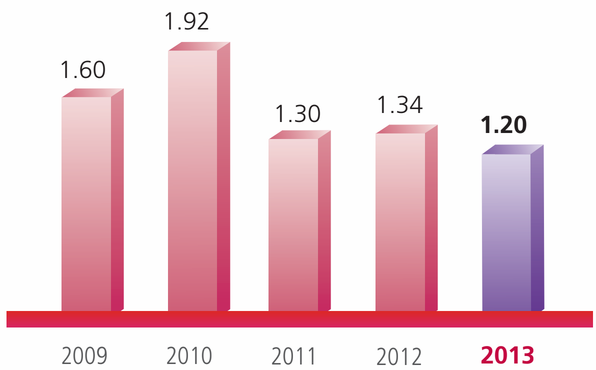
TURNOVER

HK$ million



NET ASSETS ATTRIBUTABLE TO OWNERS OF THE PARENT PER SHARE

HK$



FINANCIAL CALENDAR

Results for the year	Announcement on 19th March 2014
Annual report	Despatched to shareholders in late March 2014
Annual general meeting	16th May 2014

Chairman's Statement

Zhu Wei Sha
Chairman

Chairman's Statement

New Year Wishes!

2013 represented the 14th anniversary of our listing, and is also a critical year in the Company's development course. I am fairly delighted at the phased progresses we've achieved in this year!

Like the rugged mountain paths, the Group's development course is not smooth at all. We have learned a lot from the capital market, and also gained a lot in our wit. Eventually, the dispute over the Group's indirect economic interest in 51 million shares of Ping An Insurance (Group) Company of China Ltd. has been properly solved. What's more, we've successfully accomplished the transformation of this principal assets are held. Under such circumstances, the Group has recorded a gain of approximately HK$2,457.8 million from the investment market during 2013, showing that we are reaching a mature stage and our investment business has gained a success. 2014 will be another starting point of a new journey to us.

A new wave of revolution has been raised recently over the internet industry, and is influencing our lives more profoundly from every aspect. Amid the outstanding performance we've achieved in the investment market, our set-top boxes ("STB") business which has been smoothly conducted for 11 years are confronting severe challenges. Leveraging our inherent competitive advantages and the innovation ability of our team, we will devote adequate effort in 2014 to accomplish a proactive transformation in this business from a capital-based view and in such a manner. We will work hard on exploring the linkage of internet and television, and believe that with the effort of our excellent business team, we will, as in the past, be successful again in this business field.

Although we've made many mistakes, even serious mistakes, we managed to grow up amid such mistakes in the past 14 years. Why? Because our Company is "a good enterprise", a enterprise with low risks and moral bottom line, a enterprise with unique market and product innovation capability, a enterprise to pull through hard times under adverse circumstances and then achieve excellent results, and thus a enterprise with good luck and blessings. I think we might not the most outstanding enterprise in the market, but we have been able to hold our bottom line as a good enterprise, of which, we are proud. We hope that, giving full play to its own advantages and through constant innovations and improvements, the Group will bring satisfactory return to our shareholders in the coming year.

It's our immovable object for the past 14 years to create value for our shareholders, and to undertake diligence and responsibility for the sack of our staffs' benefit and the Company's safety. We enjoy fighting for this object, and let's work together to create success!

Zhu Wei Sha
Chairman

Hong Kong, 19th March 2014

Group Financial Summary

CONSOLIDATED RESULTS

For the year ended 31st December

	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000
Turnover	**623,136**	790,983	610,144	335,099	167,673
Profit/(Loss) before taxation	**2,339,240**	(496,621)	35,352	14,999	(24,118)
Taxation	**(174,276)**	(3,543)	(1,368)	(190)	–
Profit/(Loss) for the year	**2,164,964**	(500,164)	33,984	14,809	(24,118)
Non-controlling interests	**2,448**	210	–	–	–
Profit/(Loss) attributable to owners of the parent	**2,167,412**	(499,954)	33,984	14,809	(24,118)

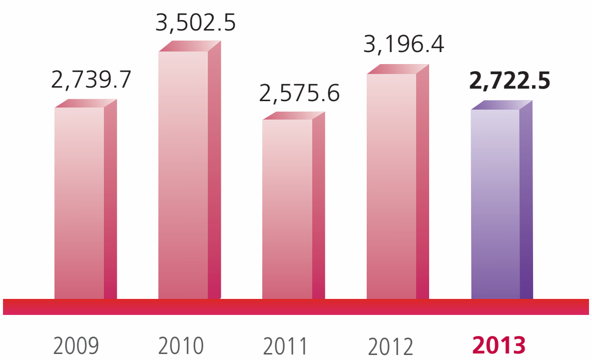
CONSOLIDATED ASSETS AND LIABILITIES

As at 31st December

	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000
Total assets	**2,722,508**	3,196,402	2,575,574	3,502,533	2,739,709
Total liabilities	**(566,443)**	(838,445)	(313,900)	(177,029)	(123,501)
Non-controlling interests	**(11,106)**	(12,441)	–	–	–
Total equity attributable to owners of the parent	**2,144,959**	2,345,516	2,261,674	3,325,504	2,616,208

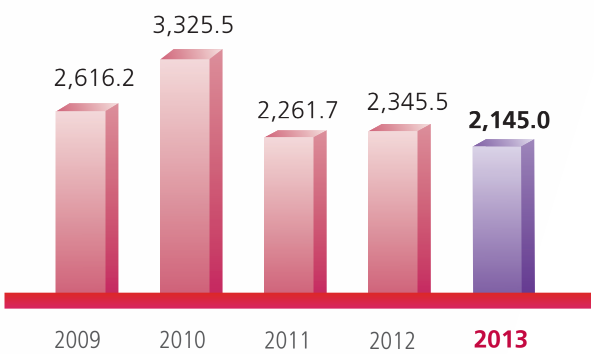
TOTAL ASSETS

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 decreased by 21.2% and 30.7% to approximately HK$623.1 million and HK$64.6 million respectively for the year ended 31st December 2013 (the "Year") as compared with 2012. This decrease in the overall turnover for the Year was mainly attributable to the weakened order procurement sentiment of the People's Republic of China (other than Hong Kong and Macau) (the "PRC") and a few major overseas customers and more intense competition in 2013, which have contributed to a softened demand for the Group's products. As a result, the Group's turnover under information home appliances ("IHA") segment derived from the PRC and overseas markets for the Year decreased significantly by 20.5% and 37.2% to approximately HK$411.6 million and HK$125.3 million respectively as compared with last year.

Operating Results

Other Revenue and Net Income

Other revenue and net income increased by 214.6% to approximately HK$29.9 million for the Year (2012: approximately HK$9.5 million). This increase for the Year was mainly attributable to the following reasons: (1) a consultancy fee income of approximately HK$5.8 million (2012: HK$Nil); (2) the fixed deposit interest income relating to the dividends of Gongbujiangda Jiangnan Industrial Development Company Limited ("JI") which were unfrozen and released by way of court order in the PRC of approximately HK$3.1 million for the Year (2012: HK$Nil); (3) the realised gains on financial assets at fair value through profit or loss totaling approximately HK$5.9 million for the Year (2012: unrealised gains of approximately HK$0.9 million); and (4) write-off of long outstanding trade payables of approximately HK$5.2 million for the Year (2012: HK$Nil).

Share of Results of a Joint Venture

References are made to the announcements of the Company dated 15th May 2012 and 29th June 2012, whereby 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"). In the meantime, Beijing Golden Yuxing Electronics and Technology Company Limited ("Golden Yuxing"), a wholly-owned subsidiary of the Company, entered into a bilateral agreement (the "Agreement") with the New JI Shareholder on 8th June 2012 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, 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. As a result, the Group recognised the share of results of a joint venture of approximately HK$26.0 million for the Year (2012: approximately HK$23.7 million).

FINANCIAL REVIEW *(Continued)*

Operating Results *(Continued)*

Change in Fair Value of Investment Properties

The Group recognised a revaluation gain of approximately HK$3.1 million on its investment properties for the Year (2012: approximately HK$10.2 million).

Operating Expenses

With the decrease of the Group's overall turnover in 2013, the Group's overall selling expenses also decreased by 9.8% to approximately HK$16.6 million for the Year as compared with the last year. At the same time, the Group's general and administrative expenses for the Year significantly increased by 75.2% to approximately HK$151.4 million as compared with last year. The increase in the Group's general and administrative expenses during the year under review was mainly due to the distribution of a discretionary bonus to the Directors and the Group's staff upon the Group recognised a significant gain from the disposal of the entire equity interest of Golden Yuxing.

Other Operating Expenses

Other operating expenses increased to approximately HK$5.5 million for the Year (2012: approximately HK$2.3 million). The main reason was that the Group recorded unrealised losses on financial assets at fair value through profit or loss of approximately HK$3.7 million for the Year (2012: realised losses of approximately HK$0.2 million).

Gain on Disposal of a Subsidiary

References are made to the announcements dated 11th October 2013, 28th October 2013, 15th November 2013 and 2nd January 2014 and the circular dated 31st October 2013 of the Company.

During the Year, the Group disposed of its entire equity interest in Golden Yuxing, which had indirect economic benefits in 51 million Ping An Shares through its 36.66% equity interest in JI. At the same time, it was agreed that the Group shall repurchase no more than 41 million Ping An Shares but no less than 27 million Ping An Shares at an exercise price of RMB37.29 per share from JI during 90 days after the final payment date of the disposal agreement (the "Repurchase(s)"). As a result, the Group recorded a significant gain of approximately HK$2,426.0 million for the Year (2012: HK$Nil) from the disposal of Golden Yuxing during the year 2013, of which a net gain of fair values of put option and call option (due to the Repurchase(s)) of approximately HK$266.0 million was recognised in profit or loss and form part of the gain on disposal of Golden Yuxing.

Finance Costs

Finance costs of the Group increased to approximately HK$36.7 million for the Year (2012: approximately HK$7.4 million). Such increase in finance costs was due to the amortised interest expenses of approximately HK$22.2 million for the Year (2012: HK$Nil) in respect of the settlement fee payable to Guangdong Jianlibao Group Company Limited ("JLB Group") or its designated entities (further details regarding the settlement fee payable are set out in note 30 to the financial statements).

Profit for the Year

Due to the above-mentioned reasons, the Group recorded a profit attributable to owners of the parent of approximately HK$2,167.4 million for the Year, while the Group recorded a loss attributable to owners of the parent of approximately HK$500.0 million for the year ended 31st December 2012.

Management Discussion and Analysis

FINANCIAL REVIEW *(Continued)*

Liquidity, Charge on Group Assets and Financial Resources

As at 31st December 2013, the Group had net current assets of approximately HK$2,000.4 million. The Group had cash and bank balances and pledged bank deposits of approximately HK$121.4 million and HK$1.8 million respectively. The Group's financial resources were funded mainly by short-term bank loans and mortgage loans totaling approximately HK$84.1 million and its shareholders' funds. As at 31st December 2013, the Group's current ratio, as calculated by dividing current assets by current liabilities, was 4.5 time and the gearing ratio, as measured by total liabilities divided by total equity, was 26.3%. Hence, as at 31st December 2013, 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 27 to the financial statement.

Significant Investments/Material Acquisitions and Disposals

On 11th October 2013, Yuxing Group (International) Limited ("Yuxing International"), 盛邦強點電子（中山）有限公司 (Sheng Bang Qiang Dian Electronics (Zhongshan) Company Limited) ("ZSSB"), and Golden Yuxing, all wholly-owned subsidiaries of the Company, entered into a conditional agreement with 華浩信聯（北京）投資有限公司 (Hua Hao Xin Lian (Beijing) Investment Co., Ltd.*), a company incorporated in the PRC with limited liability (the "Purchaser") and JI pursuant to which the Purchaser has agreed to acquire and each of Yuxing International and ZSSB has agreed to sell 99% and 1% of the entire equity interests in Golden Yuxing, respectively, at a total consideration of approximately RMB1,413.8 million (equivalent to approximately HK$1,798.3 million). At the same time, it was agreed that the Group shall repurchase no more than 41 million Ping An Shares but no less than 27 million Ping An Shares at an exercise price of RMB37.29 per share from JI during 90 days after the final payment date of this agreement (the "Repurchase Period"). The above transactions were detailed in the Company's circular dated 31st October 2013. The disposal of Golden Yuxing was completed on 31st December 2013. The balance of the consideration receivable of approximately HK$1,783.0 million as at 31st December 2013 has been fully settled in cash subsequently after the balance sheet date.

Save as disclosed above, the Group had no other significant investment and no material acquisition or disposal during the year under review.

Segment Information

The Group's star business segment is the IHA. The total turnover of the IHA segment for the Year decreased by 21.2% to approximately HK$622.6 million as compared with last year. During the year under review, weakened order procurement sentiment of a PRC customer and more intense competition in 2013, led to a significant decrease in the selling price of set-top boxes ("STB"). Therefore, the sales record of the IHA segment in the PRC for the Year decreased significantly by 20.5% to approximately HK$411.6 million as compared with last year. For the overseas markets, with the significant reduction in purchase orders from a few major overseas customers, especially, sales in Russia for the Year decreased to HK$Nil, and sales in Australia for the Year also decreased by 31.7% to approximately HK$67.8 million as compared with last year. As a result, although sales to a new overseas customer recorded approximately HK$35.4 million for the Year, the overall overseas turnover decreased significantly by 37.2% to approximately HK$125.3 million for the Year as compared with 2012. In the Hong Kong market, due to the increase in purchase orders from a Hong Kong customer, the turnover of the IHA segment in the Hong Kong market increased by 17.1% from last year to approximately HK$85.7 million for the Year. However, with the significant drop of turnover in the PRC and the overseas markets, the Group recorded a loss of approximately HK$6.2 million in the IHA segment for the Year (2012: a profit of approximately HK$19.1 million).

FINANCIAL REVIEW *(Continued)*

Segment Information *(Continued)*

The Group's investing segment is principally engaged in trading of securities and interest in a joint venture which is principally engaged in investing in available-for-sale financial assets. This segment recorded a profit of approximately HK$2,457.8 million for the Year (2012: approximately HK$24.3 million). The main reason for this profit was that except share of results of a joint venture of approximately HK$26.0 million (2012: approximately HK$23.7 million) in this segment for the Year, the Group also recorded a significant gain of approximately HK$2,426.0 million from a disposal of one of its PRC subsidiaries during the Year (2012: HK$Nil).

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$0.5 million for this segment for the Year (2012: approximately HK$0.1 million). The other operations segment of the Group mainly comprises leasing out of properties. This segment recorded a profit of approximately HK$3.6 million from the leasing out of properties for the Year (2012: approximately HK$3.3 million) and amongst other things, fair value gain from investment properties of approximately HK$3.1 million was recorded in this segment for the Year (2012: approximately HK$10.2 million).

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 significantly decreased by 20.5% to approximately HK$412.1 million as compared with last year. This decrease was mainly attributable to the weakened order procurement sentiment of a PRC customer and more intense competition. As to overseas markets, other than no sales in Russian market, sales in Australian market and other overseas markets for the Year of approximately HK$67.8 million and HK$57.5 million were recorded respectively, representing a significant decrease of 31.7% and an increase of 50.9% respectively as compared with 2012. In the Hong Kong market, the turnover increased by 17.1% to approximately HK$85.7 million for the Year 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 2013, the Group had no significant exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

Human Resources

As at 31st December 2013, the Group had over 760 (2012: over 880) full time employees, of which 11 (2012: 10) were based in Hong Kong and the rest were in the PRC. Staff costs of the Group amounted to approximately HK$145.1 million for the Year (2012: approximately HK$80.4 million). Increase in staff costs was mainly due to the increase in salary of both the Directors and employees, and the distribution of a discretionary bonus to the Directors and the staff of the Group upon the recognition of a significant gain from the disposal of entire equity interest of Golden Yuxing 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 the basic salaries, staff benefits also include medical scheme, various insurance schemes and share option schemes.

Management Discussion and Analysis

FINANCIAL REVIEW *(Continued)*

Dividends

The Board recommends the payment of a final dividend of HK$0.05 per share for the year ended 31st December 2013 (2012: HK$Nil). Subject to the approval of the shareholders of the Company (the "Shareholders") at the forthcoming annual general meeting ("AGM") on 16th May 2014, the proposed final dividend will be distributed on or about 13th June 2014 to the shareholders whose names appear on the register of members of the Company as at the close of business on 27th May 2014. During the Year, an interim dividend of HK$0.05 per share totaling approximately HK$89.6 million was declared and distributed (2012: HK$Nil).

Closure of Register of Members

(a) *Entitlement to Attend and Vote at the AGM*

The register of members of the Company will be closed on the following time period during which no transfer of shares of the Company will be registered:

For entitlement to attend and vote at the AGM:	14th May 2014 – 16th May 2014, both dates inclusive (record date being 16th May 2014)

In order to qualify for entitlement to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's registrar Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 13th May 2014.

(b) *Entitlement to the Proposed Final Dividend*

The register of members of the Company will be closed on the following time period during which no transfer of shares of the Company will be registered:

For entitlement to the proposed final dividend:	24th May 2014 – 27th May 2014, both dates inclusive (record date being 27th May 2014)

In order to qualify for entitlement to the proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's registrar Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 23rd May 2014.

Management Discussion and Analysis

BUSINESS REVIEW

After eleven years of development and under the steady growth of the global Internet Protocol Television ("IPTV") market, the Group's IPTV STB business has entered into a period of steady growth. However, under the intense market competition condition, we are facing many opportunities as well as confronting severe challenges. With the accumulation of technological expertise over the years and 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, Over-The-Top TV ("OTT")/IPTV STB, as well as STB equipped with an Android system. In 2013, due to the weakened order procurement sentiment of a PRC customer, a few major overseas customers and fierce market competition, there was a significant decrease of turnover of the Group in both the PRC market and some overseas markets. As such, during the year under review, the Group's overall turnover and gross profit decreased by 21.2% and 30.7% to approximately HK$623.1 million and HK$64.6 million respectively for the Year as compared with 2012.

In the PRC market, the Group had successfully launched, through cooperation with one of the largest PRC telecom equipment and system providers, various types of STB into areas including, Guangdong Province, Hubei Province, Sichuan Province, Shanxi Province, Liaoning Province, Anhui Province, Shanghai and Chongqing Municipalities etc. However, due to the weakened order procurement sentiment of this PRC customer and worse market competition, there was a significant decrease in the selling price of STB. As a result, the turnover of the Group in the PRC market decreased by 20.5% to approximately HK$412.1 million for the Year as compared with 2012.

In 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 Belgium, Spain and Sweden etc. and secured a stable market position in these markets. At the same time, the Group was actively exploring new markets in South America and Africa etc. However, due to the significant reduction in purchase orders from a few overseas customers, sales in Russia for the Year decreased to HK$Nil, and sales in Australia for the Year also decreased by 31.7% to approximately HK$67.8 million as compared with last year. Consequently, even though there was a turnover of approximately HK$35.4 million recorded from a new overseas customer, the overall overseas turnover decreased significantly by 37.2% to approximately HK$125.3 million for the Year as compared with 2012.

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 in the past few years and achieved stable sales. The launch of its high digital STB in the market received good responses from users during the year under review, resulting in the significantly increase in the Group's turnover in Hong Kong market by 17.1% to approximately HK$85.7 million for the Year as compared with 2012.

As for investment business, the Group conducted some useful attempts in corporate equity investment and secondary market investment based on the principles of scientific analysis and prudent determination, tried to identify the matching point between the capacity of the Company and market environment. Based on value investment, the Group selects the investment with lower risk in the secondary market by taking risk control and reasonable earning expectation as the investment strategy, maintenance and appreciation of asset value are the long-term investment commitment of the Group.

References are made to the announcements of the Company dated 30th January 2013 and 4th February 2013 and the circular of the Company dated 28th February 2013 (the "Circular"), Golden Yuxing and JLB Group entered into a settlement agreement on 30th January 2013 (the "Settlement Agreement") with a view to settling certain legal proceedings between them (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 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 (the "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. In the meantime, the Company has agreed to provide a guarantee (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 New Guarantee will be automatically terminated upon the full payment of the Settlement Fee. The Settlement Agreements and the provision of New Guarantee were approved by the Shareholders at the special general meeting of the Company (the "SGM") on 18th March 2013. Further details are set out in the Company's announcements dated 30th January 2013, 4th February 2013, 18th March 2013, 27th March 2013, 11th April 2013 and 7th May 2013 and the Circular.

Management Discussion and Analysis

BUSINESS REVIEW *(Continued)*

On 7th May 2013, the Company received a certification letter (the "Certification") dated 24th April 2013 from 西藏自治區工布江達縣工商行政管理局 (Gongbujiangda County Administration for Industry and Commerce, Tibet Autonomous Region*) at which JI is registered. The Certification confirmed the receipt of two separate execution notices issued by the Intermediate People's Court of Foshan of Guangdong Province, the PRC on 24th April 2013 and the Higher People's Court of Guangdong Province, the PRC (the "Guangdong Higher Court") on 11th April 2013 ("Notices") in support of the release of Golden Yuxing's 29.472% equity interest in JI (and hence the associated economic benefits of 41 million Ping An Shares). On this basis, the release date, that is, the next day after the date of acknowledgement by the relevant local Administration for Industry and Commerce of the Notices has been confirmed to be 25th April 2013. According to the Settlement Agreements, the remaining 3.594% and 3.594% equity interests in JI held by Golden Yuxing will continue to be frozen by the Guangdong Higher Court until upon the settlement of second tranche and third tranche of Settlement Fee by Golden Yuxing respectively.

On 27th September 2013, Golden Yuxing and JI entered into a loan agreement relating to a one year term loan in the principal amount of RMB156.0 million (equivalent to HK$198.4 million) provided by JI (the "JI Loan") for settling the first tranche of RMB150.0 million of Settlement Fee and the related expenses. Golden Yuxing has agreed for JI to enter into a fundraising transaction with an independent financier to raise funds for the JI Loan on the security of 8.8 million Ping An Shares (including any dividends and other interests arising in relation to the relevant shares) in which Golden Yuxing has an indirect interest through JI which was not subject to the freezing order imposed by Guangdong Higher Court. On 23rd October 2013, Golden Yuxing used the JI Loan to fully settle the first tranche of the Settlement Fee to JLB Group and its designated entities. During the year ended 31st December 2013, total interest on JI Loan amounting to approximately HK$4.0 million was recognised in profit or loss.

On 11th October 2013, Yuxing International, ZSSB and Golden Yuxing entered into a conditional agreement (the "Disposal Agreement") with the Purchaser, and JI pursuant to which the Purchaser has agreed to acquire and each of Yuxing International and ZSSB has agreed to sell 99% and 1% of the entire equity interests in Golden Yuxing, at a total consideration of approximately RMB1,413.8 million. At the same time, it was agreed that the Group shall repurchase no more than 41 million Ping An Shares but no less than 27 million Ping An Shares from JI during the Repurchase Period. The Disposal Agreement were approved by the Shareholders at the SGM on 15th November 2013. The remaining undiscounted Settlement Fee payable and the JI Loan of approximately HK$381.6 million and HK$198.4 million respectively were released upon the completion of the disposal of Golden Yuxing on 31st December 2013. As a result, the Group recorded a significant gain of approximately HK$2,426.0 million for the Year (2012: HK$Nil) from the disposal of Golden Yuxing during the year 2013, of which a net gain of fair values of put option and call option (due to the Repurchase(s)) of approximately HK$266.0 million was recognised in profit or loss and form part of the gain on disposal of Golden Yuxing. For further details, the Directors request the Shareholders and investors of the Company to refer to the notes 24(c) and 32 to the financial statements. As the fair values of put option and call option (due to the Repurchase(s)) was mainly based on the observable market price of Ping An Share(s), the time limit of the options and other factors, with the change of the market price of Ping An Share(s) and as time flies, the fair value of these options will change as well, and this may considerably impact on the results of the Group positively or negatively in the near future.

On 2nd January 2014, being the final payment date, the Purchaser has fully paid the total consideration in accordance with the terms of the Disposal Agreement. On the same day, the Repurchase Period commenced and Yuxing International will repurchase no more than 41 million Ping An Shares but no less than 27 million Ping An Shares from JI during the Repurchase Period. Further details are set out in the Company's announcements dated 27th September 2013, 11th October 2013, 23rd October 2013, 28th October 2013, 15th November 2013 and 2nd January 2014 and the Company's circular dated 31st October 2013.

In addition, according to the Disposal Agreement, the Group has repurchased 10.0 million Ping An Shares from JI at total cash consideration of approximately RMB372,900,000 as at the date of this report. Further announcements will be made by the Company regarding updates on the completion of the Repurchase(s).

Management Discussion and Analysis

BUSINESS PROSPECT

In 2014, the IPTV STB business of the Group is facing new challenges and desiring for a new transformation. The business might have a further decrease if sticking to the old path. The Group is confident to accomplish a proactive transformation of this business from a capital-based view and in such a manner, as well as work hard on exploring the linkage of internet and television, to achieve a better performance in the coming year.

Meanwhile, 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 research and development ("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. Further, as disclosed in the paragraph headed "Business Review" regarding the disposal of Golden Yuxing, the proceeds generated from this disposal will provide the Group with the necessary capital in furtherance of the business development of the Group. The Group predicts that its current business will benefit from the completion of this disposal. Lastly, as for the investment business, the Group is currently focusing on the corporate equity investment. The target investment corporates is internet and the convergence of television, telecom and internet field. This filed is emerging the opportunities of huge convergence and great development. It is believed that the existing and the accumulated experiences of the IHA of the Group will help to efficiently complete the evaluation value of the invested companies, the integration of resources and the value-added. On the other hand, the Group's secondary market investment strategy will continue to base on the value investment, select investment products with lower risk to control risk and maintain reasonable earning expectation. Maintenance and appreciation of asset value are still the long-term investment commitment of the Group.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Zhu Wei Sha, aged 58, 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 Beijing University of Technology with a bachelor's degree in engineering. He had worked at Beijing Machinery Electronic Research Institute and the Industrial Economic Research Department of 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 36.83% interest in the share capital of the Company.

Mr. Chen Fu Rong, aged 53, is a co-founder of the Group. He has been a vice president of the Group since 1996 and the deputy chairman of the Group since 2004. He graduated from the Department of Automatic Control of Beijing University of Technology with a bachelor's degree in engineering. He 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 over 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 57, is a vice president of the Group. He graduated with a master's degree in engineering from the Department of Computer Science of 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 executive president in platform management department of the Company and the legal representative of Beijing E'rich Investment Management Co., Ltd, one of the wholly-owned subsidiaries of the Company.

Mr. Shi Guang Rong, aged 53, graduated with a bachelor's degree in engineering from the Department of Automatic Control of the Beijing University of Technology. He has been a vice president of the Group since 1996 and was responsible for marketing and public relation matters of the Group for many years. Mr. Shi is currently the executive president of the listing platform of the Group and possesses over 10 years' relevant work experience. Mr. Shi is also the chief executive officer of Yuxing Technology Company Limited, a wholly-owned subsidiary of the Company in Hong Kong.

Mr. Zhu Jiang, aged 57, has been an executive director of the Company since 2013. He graduated from the Department of Wireless Communication of Beijing University of Technology. He has over 20 years of research experience in computer engineering, and has extensive experience in digital-to-analog circuits and high-level assembly languages programming as well as over 10 years of management experience. Mr. Zhu is the executive president in risk control department of the Company. He is also a director and legal representative of certain wholly-owned subsidiaries of the Company.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wu Jia Jun, aged 82, 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 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 in-depth knowledge. He has published several books and articles on corporate management and economic reform. Mr. Wu was appointed as an Independent Non-Executive Director in October 1999.

Mr. Zhong Peng Rong, aged 61, 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 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 50, holds a bachelor's degree in Accounting and has over 19 years of experience in accounting and 15 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 the PRC and international renowned enterprises operating in various fields such as manufacturing, professional affairs and services, and has accumulated 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 56, 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 Northwest University of China, Chinese University of Political Science and Law, University of Cambridge and 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 Manchester University in England, as well as a Postgraduate Certificate in Laws (PCLL) with University of Hong Kong. Mr. Liu was appointed as the Company Secretary in July 2007.

SENIOR MANAGEMENT

Miss Wu Wai Ting, Wendy, aged 41, is the chief financial officer of the Group. She is a graduate of 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 Hong Kong Institute of Certified Public Accountants. She has 16 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 2013.

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 38 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 27 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31st December 2013 are set out in the consolidated income statement on page 34.

An interim dividend of HK$0.05 per share amounted to approximately HK$89.6 million was distributed to Shareholders during the year.

The Directors have recommended, subject to the Shareholders' approval at the forthcoming AGM to be held on Friday, 16th May 2014, the payment of a final dividend of HK$0.05 per share to the shareholders whose names appear on the Company's register of members, on Tuesday, 27th May 2014. The proposed final dividend is expected to be paid on or about Friday, 13th June 2014.

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 28 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 18 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.

SHARE OPTIONS

Details of the Company's share option scheme is set out in note 34 to the financial statements.

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

Name of director	Exercise price per share HK$	Exercisable period	Number of share options: As at 1st January 2013	Exercised during the year	Granted during the year	Forfeited during the year	As at 31st December 2013
Mr. Wang An Zhong	0.2975	26th December 2006 – 17th May 2013	800,000	(800,000)	–	–	–
Ms. Shen Yan	0.2975	26th December 2006 – 17th May 2013	960,000	(960,000)	–	–	–
			1,760,000	(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 34 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 16 and 17.

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
Mr. Zhu Jiang *(Appointed on 24th July 2013)*

Independent Non-Executive Directors:

Mr. Wu Jia Jun
Mr. Zhong Peng Rong
Ms. Shen Yan

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors except Mr. Zhu Jiang has entered into a new service contract with the Company for an initial term of three years on 1st June 2013. Mr. Zhu Jiang has entered into a service contract with the Company for an initial term of three years from 24th July 2013 since his appointment as an Executive Director of the Company. Their respective service contracts (which are automatically renewed for successive terms of one year each upon expiry of the then current term) 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 2013 and have agreed to continue their appointment for another two-year term expiring on 24th October 2015. Ms. Shen Yan was appointed as Independent Non-Executive Director for a term of two years expiring on 11th January 2014 and has agreed to continue her appointment for another two-year term expiring on 11th January 2016.

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

CONTRACTS OF SIGNIFICANCE

Save for the Directors' service contracts as disclosed in this annual report, no contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director 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.

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.

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

As at 31st December 2013, 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	36.83%
	Personal	300,000	Beneficial owner	0.02%
Mr. Chen Fu Rong	Corporate *(Note)*	660,000,000	Interest of a controlled corporation	36.83%
Mr. Shi Guang Rong	Personal	25,060,000	Beneficial owner	1.40%
Mr. Zhu Jiang	Personal	7,926,756	Beneficial owner	0,44%
Mr. Wang An Zhong	Personal	6,736,756	Beneficial owner	0.38%
Mr. Zhong Peng Rong	Personal	1,600,000	Beneficial owner	0.09%
Mr. Wu Jia Jun	Personal	1,600,000	Beneficial owner	0.09%
Ms. Shen Yan	Personal	960,000	Beneficial owner	0.05%

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.

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 on 18th May 2003, the 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 2013 were as follows:

				Number of share options				
Name of Director	Date of grant	Exercise price per share HK$	Exercisable period	As at 1st January 2013	Exercised during the year	Granted during the year	Forfeited during the year	As at 31st December 2013
Mr. Wang An Zhong	26th December 2006	0.2975	26th December 2006 – 17th May 2013	800,000	(800,000)	–	–	–
Ms. Shen Yan	26th December 2006	0.2975	26th December 2006 – 17th May 2013	960,000	(960,000)	–	–	–
				1,760,000	(1,760,000)	–	–	–

Save as disclosed above, none of the Directors or chief executive of the Company had, as at 31st December 2013, 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 the Directors as referred to in rule 5.46 of the GEM Listing Rules.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far as is known to any Director or chief executive of the Company, as at 31st December 2013, 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	36.83%
Gold Swiss Holdings Limited	Corporate	100,000,000	Beneficial owner	5.58%

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 2013, the Company had not been notified by any person (other than Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

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

Purchases

–	the largest supplier	16.4%
–	five largest suppliers combined	44.6%

Sales

–	the largest customer	65.6%
–	five largest customers combined	98.0%

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.

Directors' Report

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 36 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 2013 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, 19th March 2014

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.

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 provision 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.

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 had 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 and safeguard the best interests of the Company and the Shareholders as a whole 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 eight Directors, with five Executive Directors, namely, Mr. Zhu Wei Sha (Chairman), Mr. Chen Fu Rong (Deputy Chairman), Mr. Shi Guang Rong, Mr. Wang An Zhong and Mr. Zhu Jiang; 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.

BOARD OF DIRECTORS *(Continued)*

Independent Non-Executive Directors

During the year ended 31st December 2013, the Board at all times complied with the requirement of the GEM Listing Rules of having 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 20. 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 2013, there were eight full Board meetings and one AGM 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)*	8/8	1/1
Mr. Chen Fu Rong *(Deputy Chairman)*	8/8	1/1
Mr. Wang An Zhong	8/8	1/1
Mr. Shi Guang Rong	8/8	1/1
Mr. Zhu Jiang*	3/8	N/A
Independent Non-Executive Directors		
Mr. Wu Jia Jun	8/8	1/1
Mr. Zhong Peng Rong	7/8	1/1
Ms. Shen Yan	8/8	1/1

* Mr. Zhu Jiang was appointed on 24th July 2013. Three Board meetings of the Company were held during the period after his appointment.

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 except Mr. Zhu Jiang has entered into a new service contract with the Company for an initial term of three years from 1st June 2013. Mr. Zhu Jiang has entered into a service contract with the Company for an initial term of three years from 24th July 2013 since his appointment as an Executive Director of the Company. Their respective service contracts (which are automatically renewed for successive terms of one year each upon expiry of the then current term 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 2013 and have agreed to continue their appointment for another two-year term expiring on 24th October 2015. Ms. Shen Yan was appointed as Independent Non-Executive Director for a term of two years expiring on 11th January 2014 and has agreed to continue her appointment for another two-year term expiring on 11th January 2016.

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(1) 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. Zhu Wei Sha, Mr. Shi Guang Rong and Mr. Wu Jia Jun will be subject to retirement by rotation and, being eligible, offer themselves for re-election at the forthcoming AGM. Pursuant to Article 87(2) of the Bye-laws, any Director so appointed by the Board shall hold office only until the next following AGM and shall then be eligible for re-election at that meeting. Therefore, Mr. Zhu Jiang as a newly appointed Director in 2013 will be subject to retirement and, being eligible, offer himself for re-election at the forthcoming AGM.

Directors' Training

During the year, all Directors were provided with updates on the latest developments and changes in the GEM Listing Rules and other relevant legal and regulatory requirements from time to time to develop and refresh the Directors' duties and responsibilities. Mr. Zhu Jiang as a newly appointed Executive Director in 2013 has received formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of the Director's responsibilities and obligations under the GEM Listing Rules and relevant statutory requirements.

Board Diversity Policy

The Board has adopted a board diversity policy with effect from 1st December 2013 and discussed all measurable objectives set for implementing the policy.

The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills, knowledge and length of service. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

BOARD OF COMMITTEES

The Board has established, with written terms of reference, three Board Committees, namely Audit Committee, Remuneration Committee and Nomination Committee, to oversee particular aspects of the Company's affairs. The Board Committees are provided with sufficient resources to discharge their duties.

The written terms of reference for each Board Committee are in compliance with the GEM Listing Rules and they are posted on the respective websites of the Stock Exchange and the Company.

BOARD OF COMMITTEES *(Continued)*

Nomination Committee

The nomination committee of the Company was established in March 2012. It comprises Mr. Zhu Wei Sha (Chairman), Ms. Shen Yan, Mr. Chen Fu Rong, Mr. Zhong Peng Rong and Mr. Wu Jia Jun. 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 two meetings to perform the aforesaid functions. All members have attended two meetings.

Remuneration Committee

The remuneration committee of the Company was established in October 2005. It comprises Ms. Shen Yan (Chairman), Mr. Wang An Zhong, Mr. Wu Jia Jun, Mr. Zhong Peng Rong and Mr. Zhu Jiang. Mr. Sun Li Jun has resigned from the remuneration committee due to personal reason. 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.1.2 of the GEM Code.

During the year ended 31st December 2013, the remuneration committee of the Company convened two meeting, in which the remuneration committee reviewed and approved the remuneration packages of the Executive Directors and senior management. All members have attended two meetings, except Mr. Zhu Jiang only attended one meeting after his appointment on 24th July 2013.

Details of the Directors' remuneration are set out in note 10 to the financial statements. In addition, pursuant to the GEM Code provision B.1.5, the annual remuneration of the member of the senior management by band for the year ended 31st December 2013 is set out below:

Remuneration band	Number of individuals
HK$Nil to HK$1,500,000	1

BOARD OF COMMITTEES *(Continued)*

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 2013 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 2013, the Committee 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.

AUDITOR'S REMUNERATION

The remuneration in respect of audit services provided by the auditor, Mazars CPA Limited, to the Group in the year 2013 amounted to HK$1,100,000. Non-audit services (including review of interim report and financial information and circulars) provided by Mazars CPA Limited to the Group in the year 2013 amounted to HK$315,000.

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 2013.

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 2013, 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 2013, the Directors 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 Company and the Shareholders as a whole.

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 SGM 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.

CONSTITUTIONAL DOCUMENTS

Pursuant to Rule 17.102 of the GEM Listing Rules, the Company has published its Bye-laws on the respective websites of the Stock Exchange and the Company. During the Year, no amendments were made to the constitutional documents of the Company.

Independent Auditor's Report

MAZARS

MAZARS CPA LIMITED
瑪澤會計師事務所有限公司
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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 106, which comprise the consolidated and the Company's balance sheets as at 31st December 2013, 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 affairs of the Company and of the Group as at 31st December 2013, and of the Group's profit 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, 19th March 2014

Eunice Y M Kwok
Practising Certificate number: P04604

Consolidated Income Statement

For the year ended 31st December 2013

	Notes	2013 HK$'000	2012 HK$'000
Turnover	7	**623,136**	790,983
Cost of sales		**(558,563)**	(697,869)
Gross profit		**64,573**	93,114
Other revenue and net income	8	**29,855**	9,491
Distribution and selling expenses		**(16,640)**	(18,457)
General and administrative expenses		**(151,415)**	(86,444)
Other operating expenses		**(5,489)**	(2,328)
Fair value gains on investment properties	17	**3,120**	10,180
Settlement fee in respect of court settlement	30	**–**	(518,436)
Gain on disposal of a subsidiary	32	**2,425,977**	–
Profit/(Loss) from operations	9	**2,349,981**	(512,880)
Finance costs	12	**(36,693)**	(7,439)
Share of results of a joint venture	21	**25,952**	23,698
Profit/(Loss) before taxation		**2,339,240**	(496,621)
Taxation	13	**(174,276)**	(3,543)
Profit/(Loss) for the year		**2,164,964**	(500,164)
Profit/(Loss) attributable to:			
Owners of the parent	14	**2,167,412**	(499,954)
Non-controlling interests		**(2,448)**	(210)
		2,164,964	(500,164)
		HK$	HK$
Earnings/(Loss) per share	16		
– Basic		**1.22**	(0.29)
– Diluted		**1.21**	(0.29)

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2013

	2013 HK$'000	2012 HK$'000
Profit/(Loss) for the year	**2,164,964**	(500,164)
Other comprehensive (loss)/income		
Items that are reclassified or may be reclassified subsequently to profit or loss:		
Change in fair value of available-for-sale financial assets	**–**	690,061
Share of other comprehensive loss arising from interest in a joint venture (net of tax) *(note 21)*	**(45,993)**	(110,727)
Exchange differences arising on translation of PRC subsidiaries	**71,163**	777
Release of translation reserves upon disposal of a subsidiary	**(678,863)**	–
Release of investment revaluation reserves upon disposal of a subsidiary	**(1,636,829)**	–
Other comprehensive (loss)/income for the year	**(2,290,522)**	580,111
Total comprehensive (loss)/income for the year	**(125,558)**	79,947
Total comprehensive (loss)/income attributable to:		
Owners of the parent	**(123,110)**	80,157
Non-controlling interests	**(2,448)**	(210)
	(125,558)	79,947

Consolidated Balance Sheet

As at 31st December 2013

	Notes	As at 31st December 2013 HK$'000	As at 31st December 2012 HK$'000
NON-CURRENT ASSETS			
Investment properties	17	**49,600**	46,480
Property, plant and equipment	18	**92,580**	95,489
Prepaid lease payments	19	**13,150**	13,131
Financial assets at fair value through profit or loss	24	**323**	–
Interest in a joint venture	21	**–**	2,535,249
		155,653	2,690,349
CURRENT ASSETS			
Inventories	22	**79,769**	83,012
Trade and other receivables	23	**216,240**	182,790
Consideration receivable for disposal of a subsidiary	32	**1,782,994**	–
Prepaid lease payments	19	**394**	382
Dividend receivable		**–**	97,484
Financial assets at fair value through profit or loss	24	**363,639**	55,361
Income tax recoverable		**644**	–
Pledged bank deposits		**1,811**	24,318
Cash and bank balances		**121,364**	62,706
		2,566,855	506,053
CURRENT LIABILITIES			
Trade and other payables	25	**280,279**	215,717
Dividend payables		**10**	–
Bank loans	26	**84,075**	100,185
Settlement fee payable	30	**–**	184,980
Financial liabilities at fair value through profit or loss	31	**25,001**	–
Income tax payable		**177,078**	2,154
		566,443	503,036
NET CURRENT ASSETS		**2,000,412**	3,017
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,156,065**	2,693,366
NON-CURRENT LIABILITIES			
Financial liabilities at fair value through profit or loss	31	**–**	98
Settlement fee payable	30	**–**	335,311
		–	335,409
NET ASSETS		**2,156,065**	2,357,957
CAPITAL AND RESERVES			
Share capital	27	**44,803**	43,688
Reserves	28	**2,100,156**	2,301,828
Equity attributable to owners of the parent		**2,144,959**	2,345,516
Non-controlling interests		**11,106**	12,441
TOTAL EQUITY		**2,156,065**	2,357,957

Approved by the Board on 19th March 2014 and signed on behalf of the Board by:

Zhu Wei Sha
Chairman

Shi Guang Rong
Vice President

Balance Sheet

As at 31st December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	20	**560,263**	638,851
CURRENT ASSETS			
Trade and other receivables	23	**284**	1,194
Dividend receivable from a subsidiary	20	**100,000**	–
Cash and bank balances		**1,299**	5,468
		101,583	6,662
CURRENT LIABILITIES			
Trade and other payables	25	**55,792**	2,323
Dividend payables		**10**	–
Amounts due to subsidiaries	20	**4,766**	4,872
		60,568	7,195
NET CURRENT ASSETS/(LIABILITIES)		**41,015**	(533)
NET ASSETS		**601,278**	638,318
CAPITAL AND RESERVES			
Share capital	27	**44,803**	43,688
Reserves	28	**556,475**	594,630
TOTAL EQUITY		**601,278**	638,318

Approved by the Board on 19th March 2014 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 2013

	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$'000	Other reserves HK$'000	Retained profits/ (Accumulated losses) HK$'000	Sub total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 1st January 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 joint venture (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:												
Contributions and distributions												
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 and as at 1st January 2013	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
Profit for the year	–	–	–	–	–	–	–	–	2,167,412	2,167,412	(2,448)	2,164,964
Other comprehensive loss:												
Share of other comprehensive loss arising from interest in a joint venture (net of tax)	–	–	–	–	–	(45,993)	–	–	–	(45,993)	–	(45,993)
Exchange differences arising on translation of PRC subsidiaries	–	–	–	–	–	–	71,163	–	–	71,163	–	71,163
Release of reserves upon disposal of a subsidiary	–	–	–	–	–	(1,636,829)	(678,863)	–	–	(2,315,692)	–	(2,315,692)
Total other comprehensive loss	–	–	–	–	–	(1,682,822)	(607,700)	–	–	(2,290,522)	–	(2,290,522)
Total comprehensive loss for the year	–	–	–	–	–	(1,682,822)	(607,700)	–	2,167,412	(123,110)	(2,448)	(125,558)
Release of statutory reserves upon disposal of a subsidiary	–	–	(11,767)	–	–	–	–	–	11,767	–	–	–
Transactions with owners:												
Contributions and distributions												
Issue of shares under share option scheme	1,115	15,572	–	–	(3,415)	–	–	–	–	13,272	–	13,272
Share options expired	–	–	–	–	(25,606)	–	–	–	25,606	–	–	–
Interim dividend	–	–	–	–	–	–	–	–	(89,606)	(89,606)	–	(89,606)
Changes in ownership interests												
Change in ownership interest in a subsidiary that does not result in a loss of control	–	–	–	–	–	–	–	(1,113)	–	(1,113)	1,113	–
Total transactions with owners	1,115	15,572	–	–	(29,021)	–	–	(1,113)	(64,000)	(77,447)	1,113	(76,334)
As at 31st December 2013	**44,803**	**57,265**	**8,668**	**234,621**	**–**	**–**	**79,364**	**(1,113)**	**1,721,351**	**2,144,959**	**11,106**	**2,156,065**

Consolidated Cash Flow Statement

For the year ended 31st December 2013

	2013 HK$'000	2012 HK$'000
OPERATING ACTIVITIES		
Profit/(Loss) before taxation	**2,339,240**	(496,621)
Adjustments for:		
Exchange difference	**(621)**	(507)
Bad debts	**–**	18
Write-off of other receivables	**525**	–
Impairment in respect of trade receivables	**–**	235
Impairment on other receivables	**–**	822
Write-down of inventories	**6,635**	8,014
Reversal of write-down of inventories	**(142)**	–
Reversal of impairment in respect of trade receivables	**–**	(150)
Reversal of impairment on other receivables	**(399)**	(3,932)
Interest income from bank deposits	**(1,290)**	(893)
Interest income from other loans and receivables	**(3,287)**	–
Interest expenses	**36,693**	7,439
Dividend income from other financial assets	**(83)**	(160)
Amortisation of prepaid lease payments	**387**	380
Depreciation of property, plant and equipment	**8,905**	8,445
Fair value gains on investment properties	**(3,120)**	(10,180)
Fair value (gain)/loss on derivative financial instruments	**(421)**	98
Loss on disposal of property, plant and equipment	**134**	141
(Gain)/Loss on disposal of financial assets at fair value through profit or loss	**(5,911)**	247
Net unrealised holding loss/(gain) on financial assets at fair value through profit or loss	**3,729**	(894)
Gain on disposal of a subsidiary	**(2,425,977)**	–
Settlement fee in respect of court settlement	**–**	518,436
Share of results of a joint venture	**(25,952)**	(23,698)
OPERATING (LOSS)/PROFIT BEFORE CHANGES IN WORKING CAPITAL	**(70,955)**	7,240
(Increase)/Decrease in inventories	**(750)**	4,676
(Increase)/Decrease in trade and other receivables	**(29,494)**	29,070
Increase in trade and other payables	**102,411**	8,839
CASH GENERATED FROM OPERATIONS	**1,212**	49,825
Income taxes paid	**(43)**	(2,402)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**1,169**	47,423

Consolidated Cash Flow Statement

For the year ended 31st December 2013

	2013 HK$'000	2012 HK$'000
INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	**(1,847,454)**	(64,605)
Purchase of property, plant and equipment	**(4,143)**	(6,432)
Decrease/(Increase) in pledged bank deposits with original maturities over three months	**13,164**	(13,133)
Paid settlement fee	**(190,791)**	–
Proceeds from disposal of financial assets at fair value through profit or loss	**1,832,783**	22,312
Interest received	**4,573**	893
Dividend received from other financial assets	**83**	160
Dividend received from a joint venture	**132,980**	–
Proceeds from disposal of property, plant and equipment	**48**	66
Net cash inflow on disposal of a subsidiary *(note 32)*	**15,209**	–
NET CASH USED IN INVESTING ACTIVITIES	**(43,548)**	(60,739)
FINANCING ACTIVITIES		
Proceeds from issue of shares under share option scheme	**13,272**	3,685
Capital contribution from non-controlling interests	**–**	12,651
New bank loans raised	**288,662**	319,914
Loan advanced from a joint venture	**198,423**	–
Repayment of bank loans	**(306,915)**	(325,685)
Interest paid	**(14,467)**	(7,439)
Dividend paid	**(89,596)**	–
NET CASH GENERATED FROM FINANCING ACTIVITIES	**89,379**	3,126
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**47,000**	(10,190)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**73,891**	84,097
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**1,902**	(16)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**122,793**	73,891
Analysis of the balances of cash and cash equivalents:		
Pledged bank deposits with original maturity of less than three months when acquired	**1,429**	11,185
Time deposits *(Notes (a))*	**24,594**	2,352
Cash at bank and in hand *(Notes (a))*	**96,770**	60,354
	122,793	73,891

Notes:

(a) Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made between one month to three months depending on the immediate cash requirement of the Group and earn interest at a range of 1.35% and 2.20% per annum.

(b) At the balance sheet date, the pledged bank deposits comprised approximately HK$382,000 *(2012: approximately HK$13,133,000)* 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.

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 38 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 HKFRSs, 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 2012 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 results and financial position of the Group and the Company for the current and prior years, except that certain presentation and disclosures of the financial statements items have been revised. A summary of the principal accounting policies adopted by the Group is set out below.

Adoption of new/revised HKFRSs

Amendments to HKAS 1: Presentation of items of other comprehensive income

The amendments to HKAS 1 require entities to group together items within other comprehensive income that will not be reclassified to profit or loss separately from items that may be reclassified subsequently to profit or loss if certain conditions are met. Other than the presentation changes, the application of the amendments does not have an impact on the amounts recognised.

Furthermore, these amendments change the title for the "income statement" and the "statement of comprehensive income" to the "statement of profit or loss" and the "statement of profit or loss and other comprehensive income". However, HKAS 1 retains the option to use titles for the statement other than those used in HKAS 1. The Group continues to use the "income statement" and the "statement of comprehensive income" instead of the "statement of profit or loss" and the "statement of profit or loss and other comprehensive income".

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

Adoption of new/revised HKFRSs *(Continued)*

HKFRS 10: Consolidated financial statements

HKFRS 10, which replaces the requirements in HKAS 27 relating to the preparation of consolidated financial statements and HKSIC-12, introduces a single control model to determine whether an investee should be consolidated. It changes the definition of control by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

In accordance with the transitional provisions of HKFRS 10, the Group reassessed the control conclusion for its investees at the date of initial application. The exercise does not change any of the control conclusions reached by the Group in respect of its involvement with other entities at that date.

HKFRS 11: Joint arrangements

HKFRS 11, which replaces HKAS 31 and HKSIC-13, divides joint arrangements into joint operations and joint ventures. Such classification is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, legal form, contractual terms and other facts and circumstances.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement while a joint venture is a joint arrangement whereby those parties have rights to the net assets of the arrangement. Joint operations are recognised on a line-by-line basis to the extent of the joint operator's interest while joint ventures are accounted for using the equity method. Proportionate consolidation is no longer allowed.

As a result of the adoption of HKFRS 11, the Group has re-evaluated its involvement in its joint arrangements and has reclassified the investment from jointly controlled entity to joint venture. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any material impact on the amounts recognised.

HKFRS 12: Disclosure of interests in other entities

HKFRS 12 sets out in a single standard all the disclosure requirements relevant to interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. In general, the disclosures required by HKFRS 12 are more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, those disclosures are set out in notes 20 and 21 to the financial statements.

HKFRS 13: Fair value measurement

This new standard improves consistency by providing a single source of guidance for fair value measurement and disclosures about fair value measurement when such measurement is required or permitted by other HKFRSs. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Apart from the additional disclosures about fair value measurements on investment properties as detailed in note 6 to the financial statements, the application of the new standard does not have any material impact on the amounts recognised.

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 and 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 ceases.

Non-controlling interests are presented separately from owners of the parent, in the consolidated income statement and within equity in the consolidated balance sheet. 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, are 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 are accounted for 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 are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

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, if it is higher than the recoverable amount. 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 joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is a contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group reassesses whether it has joint control of an arrangement and whether the type of joint arrangement in which it is involved has changed, if facts and circumstances change.

The Group's investment in joint venture is accounted for under the equity method of accounting, except when the investment or a portion thereof is classified as held for sale. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of the investee's net assets and any impairment loss relating to the investment. Except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee, the Group discontinues recognising its share of further losses when the Group's share of losses of the investee equals or exceeds the carrying amount of its interest in the investee, which includes any long term interests that, in substance, form part of the Group's net investment in the investee.

(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.

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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

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 less accumulated amortisation and impairment losses and are amortised over the period of the lease on a straight-line basis to profit or loss.

(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.

Notes to the Financial Statements

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(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 either (a) the Group transfers substantially all the risks and rewards of ownership of the financial asset, or (b) the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset. 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. 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 the financial asset to the extent of its continuing involvement and an associated liability for amounts it may have to pay. 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.

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, consideration receivable for disposal of a subsidiary, pledged bank deposits and cash and bank balances 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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

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.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer of the contract to make specified payments to reimburse the holder of the contract for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contract is initially recognised as deferred income within trade and other payable at fair value (being the transaction price, unless the fair value can otherwise be reliably estimated). Subsequently, it is measured at the higher of (i) the amount initially recognised, less accumulated amortisation, and (ii) the amount of the provision, if any, that is required to settle the commitment at the balance sheet date.

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.

(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.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period of the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(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.

Consultancy fee income is recognised when services are rendered.

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 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 the disposal of a foreign operation, which includes a disposal of the Group's entire interest in a foreign operation, a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest is no longer equity-accounted for, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised;

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(n) Foreign currency translation *(Continued)*

(e) On the 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 reclassified to profit or loss; and

(f) On all other partial disposals, which includes partial disposal of associates or joint ventures 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 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.

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 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.

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 joint ventures, 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).

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.

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 27 (2011), HKFRS 10 and HKFRS 12	*Investment Entities*[1]
Amendments to HKAS 32	*Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*[1]
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC) – Int 21	*Levies*[1]
Amendments to HKAS 19 (2011)	*Defined Benefit Plans – Employee Contributions*[2]
Various HKFRSs	*Annual Improvements Project – 2010-2012 Cycle*[3]
Various HKFRSs	*Annual Improvements Project – 2011-2013 Cycle*[3]
HKFRS 14	*Regulatory Deferral Accounts*[4]
HKFRS 9	*Financial Instruments*[5]
Amendments to HKFRS 9, HKFRS 7 and HKAS 39	*Financial Instruments (Hedge Accounting and Amendments to HKFRS 9, HKFRS 7 and HKAS 39)*[5]

1 *Effective for annual periods beginning on or after 1 January 2014*

2 *Effective for annual periods beginning on or after 1 July 2014*

3 *Effective for annual periods beginning on or after 1 July 2014, except for certain amendments which are effective prospectively for relevant transactions occurred on or after 1 July 2014*

4 *Effective for annual periods beginning on or after 1 January 2016*

5 *No mandatory effective date determined but is available for adoption*

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 assets/(liabilities) at fair value through profit or loss

As described in notes 24 and 31 to the financial statements, the valuation techniques applied by the external valuers for the financial assets/(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.

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.

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

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$216,240,000 *(2012: approximately HK$182,790,000)*.

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 cause the adjustments of their carrying amounts.

Financial guarantee issued

As detailed in notes 30 and 37, the maximum liability of the Company at the balance sheet date under the financial guarantee arrangement amount to approximately HK$381,582,000, representing the outstanding undiscounted settlement fee payable by Beijing Golden Yuxing Electronics and Technology Company Limited ("Golden Yuxing") at the balance sheet date. Based on management expectation at the balance sheet date, it is not probable that such an amount will be payable by the Company under the arrangement. However, the estimate is subject to change depending on the market value of pledged assets under the settlement agreement and the financial position of Golden Yuxing.

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 bank loans, trade and other payables, dividend payables, financial liabilities at fair value through profit or loss and income taxation payable).

5. CAPITAL MANAGEMENT *(Continued)*

As at the balance sheet date, the Group's gearing ratio was below 50% *(2012: below 50%)*. 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 2013 and 2012 was as follows:

		Group		Company	
		2013	2012	**2013**	2012
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Current liabilities:					
Trade and other payables	25	**280,279**	215,717	**55,792**	2,323
Dividend payables		**10**	–	**10**	–
Bank loans	26	**84,075**	100,185	**–**	–
Settlement fee payable	30	**–**	184,980	**–**	–
Financial liabilities at fair value through profit or loss	31	**25,001**	–	**–**	–
Income tax payable		**177,078**	2,154	**–**	–
Amounts due to subsidiaries	20	**–**	–	**4,766**	4,872
		566,443	503,036	**60,568**	7,195
Non-current liabilities:					
Financial liabilities at fair value through profit or loss	31	**–**	98	**–**	–
Settlement fee payable	30	**–**	335,311	**–**	–
		–	335,409	**–**	–
Total debt		**566,443**	838,445	**60,568**	7,195
Total equity		**2,156,065**	2,357,957	**601,278**	638,318
Debt-to-equity ratio		**26.3%**	35.6%	**10.1%**	1.1%

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 mitigated 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 and consideration receivable for disposal of a subsidiary. 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 had a concentration of credit risk as 71.3% (*2012: 65.2%*) and 90.2% (*2012: 80.7%*) of the total trade and other receivables was due from the Group's largest customer and the five largest customers respectively. As at balance sheet date, the Group had a concentration of credit risk as 100% *(2012: Nil)* of total consideration receivable for disposal of a subsidiary was due from an independent third party.

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. Except for the financial guarantee issued by the Group as set out in note 37, the Group does not provide any guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of this financial guarantee issued at the balance sheet date is disclosed in note 37.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 23.

The Company

The Company's credit risk is primarily attributable to amounts due from subsidiaries. As at the balance sheet date, the Company had a concentration of credit risk as 71.1% *(2012: 52.8%)* and 99.0% *(2012: 99.0%)* of the total amounts due from subsidiaries is originated from the Company's largest subsidiary and three largest subsidiaries respectively.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the 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$116,629,000 *(2012: approximately HK$89,135,000)* as at the balance sheet date to meet the liquidity needs.

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 and 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 are required to pay.

Specifically, bank loans with a repayment on demand clause are included in the earliest period that the Group is required to repay 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

		2013				2012			
	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	25	**280,279**	**280,279**	**280,279**	**–**	215,717	215,717	215,717	–
Bank loans	26	**84,075**	**86,299**	**86,299**	**–**	100,185	103,549	103,549	–
Settlement fee payable	30	**–**	**–**	**–**	**–**	520,291	554,939	184,980	369,959
Dividend payables		**10**	**10**	**10**	**–**	–	–	–	–
Financial liabilities at fair value through profit or loss*	31	**25,001**	**1,280,628**	**1,280,628**	**–**	98	98	–	98
		389,365	**1,647,216**	**1,647,216**	**–**	836,291	874,303	504,246	370,057
Financial guarantee issued	37	**–**	**381,582**	**381,582**	**–**	–	–	–	–

* As at 31st December 2013, total undiscounted cash flow represented the expected cash consideration for the repurchase of 27 million A shares of Ping An Insurance (Group) Company of China, Ltd. ("Ping An shares") on or before the expiry of the put option as further detailed in note 24(c).

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk *(Continued)*

Company

	Notes	2013 Carrying amount HK$'000	2013 Total contractual undiscounted cash flow HK$'000	2013 Within one year or on demand HK$'000	2012 Carrying amount HK$'000	2012 Total contractual undiscounted cash flow HK$'000	2012 Within one year or on demand HK$'000
Other payables	25	**55,792**	**55,792**	**55,792**	2,323	2,323	2,323
Amounts due to subsidiaries	20	**4,766**	**4,766**	**4,766**	4,872	4,872	4,872
Dividend payables		**10**	**10**	**10**	–	–	–
		60,568	**60,568**	**60,568**	7,195	7,195	7,195
Financial guarantee issued	37	**–**	**381,582**	**381,582**	–	–	–

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$10,791,000 *(2012: approximately HK$11,976,000)* (note 26) 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 2013 HK$'000	Group 2012 HK$'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	**4,868**	6,340
	12,228	13,700

6. FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's secured interest-bearing borrowings, 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 profit would be increased by approximately HK$387,000 or HK$249,000 respectively *(2012: net loss would be increased by approximately HK$120,000 or decreased by approximately HK$489,000 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 2012.

(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 the People's Republic of China (other than Hong Kong and Macau) (the "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 2% *(2012: 5%)* strengthened/weakened against Hong Kong dollars while all other variables were held constant, the Group's net profit would be increased/decreased by approximately HK$816,000 *(2012: net loss would be decreased/increased by approximately HK$2,177,000)*.

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.

6. FINANCIAL INSTRUMENTS *(Continued)*

(e) Equity price risk

The Group is exposed to price risk arising from securities investments and derivative financial instruments classified as financial assets/(liabilities) at fair value through profit or loss (notes 24 and 31).

As at the balance sheet date, if the quoted market price had been 8% *(2012: 20%)* higher/lower while all other variables were held constant, the Group's net profit would be increased by approximately HK$170,516,000 or decreased by approximately HK$162,472,000 *(2012: net loss would be decreased/increased by approximately HK$9,099,000)* 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 increased during the year mainly due to the analysis include the Group's exposure to outstanding derivative financial instruments.

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 2012.

(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 assets and liabilities measured at fair value or required to disclose their fair value in these consolidated financial statements on a recurring basis at 31st December 2013 across the three levels of the fair value hierarchy defined in HKFRS 13, *Fair Value Measurement*, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly; and
- Level 3 (lowest level): unobservable inputs for the assets or liabilities.

6. FINANCIAL INSTRUMENTS *(Continued)*

(f) Fair value *(Continued)*

Assets/(Liabilities) measured at fair value on a recurring basis

	2013 HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Investment properties *(note 17)*	**49,600**	**–**	**49,600**	**–**
Financial assets at fair value through profit or loss *(note 24)*	**363,962**	**72,592**	**291,047**	**323**
Financial liabilities at fair value through profit or loss *(note 31)*	**(25,001)**	**–**	**(25,001)**	**–**

	2012 HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Investment properties *(note 17)*	46,480	–	46,480	–
Financial assets at fair value through profit or loss *(note 24)*	55,361	55,361	–	–
Financial liabilities at fair value through profit or loss *(note 31)*	(98)	–	–	(98)

During the years ended 31st December 2013 and 2012, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 fair value measurements.

Financial instruments measured at fair value based on Level 3

The movements in the fair value of guaranteed minimum return contract during the year are as follows:

Description	Financial assets/(liabilities) at fair value through profit or loss **2013** **HK$'000**	2012 HK$'000
Opening balance	**(98)**	–
Net gain/(loss) on change in fair value recognised in profit or loss	**421**	(98)
Closing balance	**323**	(98)
Change in unrealised gains/(losses) for the year included in profit or loss for financial instruments held as at the balance sheet date	**421**	(98)

6. FINANCIAL INSTRUMENTS *(Continued)*

(f) Fair value *(Continued)*

Basis of determining fair value of financial assets/(liabilities) at fair value through profit or loss has been detailed in note 24(b). 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 8% *(2012: 20%)* higher/lower while all other variables were held constant, the Group's net profit would be increased by approximately HK$20,000 or HK$33,000 respectively *(2012: net loss would be increased by approximately HK$366,000 or decreased by approximately HK$88,000 respectively)*.

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 and distribution of information home appliances and complementary products to consumer markets.

The investing segment comprises trading of securities and interest in a joint venture 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 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, 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.

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, changes in fair value of investment properties, share of results of a joint venture, gain on disposal of a subsidiary, segment results and segment assets and liabilities by business segments is as follows:

For the year ended 31st December 2013

	Information home appliances HK$'000	Investing HK$'000	Trading HK$'000	Other operations HK$'000	Elimination HK$'000	Consolidated HK$'000
TURNOVER						
External sales	622,664	–	472	–	–	623,136
Inter-segment sales	–	–	7,321	–	(7,321)	–
OTHER REVENUE AND NET INCOME	5,674	9,697	83	8,608	(2,766)	21,296
FAIR VALUE GAINS ON INVESTMENT PROPERTIES	–	–	–	3,120	–	3,120
SHARE OF RESULTS OF A JOINT VENTURE	–	25,952	–	–	–	25,952
GAIN ON DISPOSAL OF A SUBSIDIARY	–	2,425,977	–	–	–	2,425,977
Total	628,338	2,461,626	7,876	11,728	(10,087)	3,099,481
RESULTS						
Segment results	(6,180)	2,457,789	(538)	6,754	–	2,457,825
Unallocated corporate income						7,269
Interest income from bank deposits						1,290
Other unallocated corporate expenses						(90,451)
						2,375,933
Finance costs						(36,693)
Profit before taxation						2,339,240
Taxation						(174,276)
Profit for the year						2,164,964

Notes to the Financial Statements

7. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

As at 31st December 2013

	Information home appliances HK$'000	Investing HK$'000	Trading HK$'000	Other operations HK$'000	Unallocated HK$'000	Consolidated HK$'000
ASSETS						
Consideration receivable for disposal of a subsidiary	–	1,782,994	–	–	–	1,782,994
Other assets	371,725	405,363	6,925	66,477	–	850,490
Segment assets	371,725	2,188,357	6,925	66,477	–	2,633,484
Unallocated corporate assets					89,024	89,024
Consolidated total assets						2,722,508
LIABILITIES						
Segment liabilities	217,993	261,846	2,613	10,995	–	493,447
Unallocated corporate liabilities					72,996	72,996
Consolidated total liabilities						566,443
OTHER INFORMATION						
Capital additions	3,256	–	–	–	887	4,143
Depreciation and amortisation	7,800	–	597	589	306	9,292
Write-down of inventories	6,627	–	8	–	–	6,635
Reversal of write-down of inventories	(142)	–	–	–	–	(142)
Reversal of impairment on other receivables	–	–	(83)	–	(316)	(399)
Write-off of other receivables	–	–	–	–	525	525

7. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

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
FAIR VALUE GAINS ON INVESTMENT PROPERTIES	–	–	–	10,180	–	10,180
SHARE OF RESULTS OF A JOINT VENTURE	–	23,698	–	–	–	23,698
Total	791,228	24,752	11,751	19,005	(13,502)	833,234
RESULTS						
Segment results	19,053	24,275	(65)	13,493	–	56,756
Unallocated corporate income						225
Interest income from bank deposits						893
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)

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 joint venture	–	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
Write-down of 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)

7. SEGMENT INFORMATION *(Continued)*

Geographical information

The Group operates in the following principal geographical areas: the PRC, Hong Kong and Australia *(2012: 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 financial assets at fair value through profit or loss. 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	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
The PRC	**412,082**	518,346	**102,809**	2,640,964
Hong Kong	**85,733**	73,223	**52,521**	49,385
Australia	**67,760**	99,265	**–**	–
Russia	**–**	61,994	**–**	–
Other overseas markets	**57,561**	38,155	**–**	–
	623,136	790,983	**155,330**	2,690,349

In addition to the information disclosed above, the Group generated other revenue and net income from information home appliances segment of approximately HK$5,674,000 *(2012: approximately HK$1,130,000)* and HK$Nil *(2012: approximately HK$1,000)* in the PRC and Hong Kong respectively, and the Group generated other revenue and net income from investing segment of approximately HK$8,486,000 *(2012: approximately HK$8,000)* and approximately HK$1,211,000 *(2012: approximately HK$1,046,000)* in the PRC and Hong Kong respectively.

The Group also generated other revenue and net income from trading segment of approximately HK$83,000 *(2012: approximately HK$150,000)* in the PRC, and the Group generated other revenue and net income from other operations segment of approximately HK$4,450,000 *(2012: approximately HK$4,646,000)* and approximately HK$1,392,000 *(2012: approximately HK$1,392,000)* 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:

	2013	2012
	HK$'000	HK$'000
Customer A	**408,805**	512,877
Customer B	**82,285**	N/A
Customer C	**67,760**	99,263
	558,850	612,140

8. OTHER REVENUE AND NET INCOME

	2013 HK$'000	2012 HK$'000
Other revenue		
Dividend income from listed securities	**83**	160
Interest income from bank deposits	**1,290**	893
Interest income from other loans and receivables	**3,287**	–
Consultancy fee income	**5,831**	–
Rental income from investment properties	**1,392**	1,392
Rental income from buildings	**4,450**	4,646
Sundry income	**1,055**	1,356
	17,388	8,447
Other net income		
Fair value gain on derivative financial instruments	**421**	–
Foreign exchange gain, net	**498**	–
Net unrealised holding gain on financial assets at fair value through profit or loss	**–**	894
Gain on disposal of financial assets at fair value through profit or loss	**5,911**	–
Reversal of impairment in respect of trade receivables	**–**	150
Reversal of impairment on other receivables	**399**	–
Write-off of long outstanding trade payables	**5,238**	–
	12,467	1,044
	29,855	9,491

9. PROFIT/(LOSS) FROM OPERATIONS

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

	2013 **HK$'000**	2012 HK$'000
Auditor's remuneration	**1,100**	1,040
Bad debts	**–**	18
Write-off of other receivables	**525**	–
Impairment in respect of trade receivables	**–**	235
Impairment on other receivables	**–**	822
Amortisation of prepaid lease payments	**387**	380
Depreciation of property, plant and equipment	**8,905**	8,445
Cost of inventories	**558,563**	697,869
Foreign exchange (gain)/loss	**(498)**	53
Loss on disposal of property, plant and equipment	**134**	141
Reversal of write-down of inventories*	**(142)**	–
Reversal of impairment in respect of trade receivables	**–**	(150)
Reversal of impairment on other receivables	**(399)**	(3,932)
Write-down of inventories	**6,635**	8,014
(Gain)/Loss on disposal of financial assets at fair value through profit or loss	**(5,911)**	247
Net unrealised holding loss/(gain) on financial assets at fair value through profit or loss	**3,729**	(894)
Direct outgoings from leasing of investment properties	**5**	7
Operating lease charges on premises	**3,950**	3,534
Research and development costs	**36**	116
Staff costs (including Directors' emoluments *(note 10)*):		
Salaries and allowances	**138,440**	72,042
Retirement benefits scheme contributions	**6,614**	8,308
Total staff costs	**145,054**	80,350

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

10. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the eight *(2012: seven)* Directors were as follows:

		Other emoluments			
Name of Director	**Fees**	**Salaries, allowances and other benefits in kind**	**Bonuses**	**Retirement benefits scheme contributions**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Executive Directors					
Zhu Wei Sha	**–**	**1,017**	**39,411**	**15**	**40,443**
Chen Fu Rong	**–**	**684**	**4,019**	**186**	**4,889**
Shi Guang Rong	**–**	**837**	**4,667**	**230**	**5,734**
Wang An Zhong	**–**	**595**	**5,291**	**225**	**6,111**
Zhu Jiang *(Appointed on 24th July 2013)*	**–**	**457**	**926**	**31**	**1,414**
Independent Non-Executive Directors					
Wu Jia Jun	**70**	**–**	**–**	**–**	**70**
Zhong Peng Rong	**70**	**–**	**–**	**–**	**70**
Shen Yan	**70**	**–**	**–**	**–**	**70**
Total for 2013	**210**	**3,590**	**54,314**	**687**	**58,801**
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

During the years 2013 and 2012, 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 both years.

During the year ended 31st December 2013, all the bonus payments made to directors were determined on a discretionary basis.

11. INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the year, four of the Directors *(2012: Nil)* are 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 one *(2012: five)* highest paid individuals, who is employee of the Group, are as follows:

	2013 **HK$'000**	2012 HK$'000
Basic salaries, allowances and other benefits in kind	**2,868**	4,533
Retirement benefits scheme contributions	**82**	291
	2,950	4,824

The emoluments of the above one *(2012: five)* highest paid individuals fell within the following bands:

	2013 **Number of** **individuals**	2012 Number of individuals
HK$Nil – HK$1,000,000	**–**	4
HK$1,000,001 – HK$2,000,000	**–**	1
HK$2,000,001 – HK$3,000,000	**1**	–
	1	5

12. FINANCE COSTS

	2013 **HK$'000**	2012 HK$'000
Interest on bank loans wholly repayable within five years	**10,137**	7,122
Interest on bank loans wholly repayable over five years	**287**	317
Interest on loan advanced from a joint venture	**4,043**	–
Total borrowing costs	**14,467**	7,439
Amortised interest expenses in respect of settlement fee payable	**22,226**	–
	36,693	7,439

The analysis shows the finance costs of bank and other 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 2013, the interest on bank loans which contain a repayment on demand clause amounted to approximately HK$287,000 *(2012: approximately HK$317,000)*.

Notes to the Financial Statements

13. TAXATION

The taxation charged to profit or loss represents:

	2013 HK$'000	2012 HK$'000
Current tax		
Hong Kong profits tax		
Overprovision in prior year	**–**	(12)
	–	(12)
PRC enterprise income tax		
Current year	**177,056**	3,555
Overprovision in prior year	**(2,780)**	–
	174,276	3,555
	174,276	3,543
Deferred taxation		
Origination and reversal of temporary difference	**(17)**	1,381
Benefit of tax losses recognised/(reversed)	**17**	(1,381)
	–	–
Charge for the year	**174,276**	3,543

For the year ended 31st December 2013, Hong Kong Profits Tax has not been provided as the Group did not have any assessable profit from Hong Kong. For the year ended 31st December 2012, Hong Kong Profits 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.

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 2013 and 2012 based on existing legislation, interpretations and practices in respect thereof. Two operating subsidiaries (2012: *one*) of the Company have been officially designated by the local tax authority as "New and High Technology Enterprise". As a result, the effective tax rate for these subsidiaries is 15% *(2012: 15%)* for 2013.

A subsidiary of the Company incorporated in British Virgin Islands ("BVI") is subject to the withholding tax rate of 10% on the capital gain from the disposal of investment in the PRC.

13. TAXATION *(Continued)*

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

	2013 HK$'000	2012 HK$'000
Profit/(Loss) before taxation	**2,339,240**	(496,621)
Tax at a weighted average rate of 9.85% *(2012: 25.13%)* applicable to the jurisdictions concerned	**230,350**	(124,793)
Tax effect of non-deductible expenses	**1,510**	127,136
Tax effect of non-taxable income	**(65,484)**	(2,196)
Tax effect of utilisation of tax losses not previously recognised	**(2,295)**	(2,128)
Tax effect of unrecognised tax losses and temporary differences	**13,484**	5,284
Tax effect of overprovision in prior year	**(2,764)**	(12)
Others	**(525)**	252
Tax expenses for the year	**174,276**	3,543

Recognised deferred tax assets and liabilities

	Assets		Liabilities	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Depreciation allowances	**–**	–	**(135)**	(118)
Tax losses	**135**	118	**–**	–
Deferred tax assets/(liabilities)	**135**	118	**(135)**	(118)
Offsetting	**(135)**	(118)	**135**	118
Net deferred tax assets/(liabilities)	**–**	–	**–**	–

Unrecognised deferred tax assets arising from

	2013 HK$'000	2012 HK$'000
Deductible temporary differences	**33,087**	59,982
Tax losses	**119,909**	94,430
	152,996	154,412

13. TAXATION *(Continued)*

Unrecognised deferred tax assets arising from *(Continued)*

As at 31st December 2013, the Group had unrecognised deferred tax assets of approximately HK$26,709,000 *(2012: approximately HK$33,266,000)* in respect of the tax losses and other temporary differences. As it is not probable that future 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:

	2013 **HK$'000**	2012 HK$'000
Tax losses without expiry date	**100,346**	34,452
Tax losses expiring on 31st December 2018	**4,203**	–
Tax losses expiring on 31st December 2017	**1,251**	2,588
Tax losses expiring on 31st December 2016	**228**	6,005
Tax losses expiring on 31st December 2015	**4,465**	8,204
Tax losses expiring on 31st December 2014	**9,416**	24,269
Tax losses expiring on 31st December 2013	**–**	18,912
	119,909	94,430

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 HK$Nil *(2012: approximately HK$10,503,000)*. 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 has been made.

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

The profit/(loss) attributable to owners of the parent includes a profit of approximately HK$39,294,000 *(2012: a loss of approximately HK$5,155,000)* which has been dealt with in the financial statements of the Company.

15. DIVIDENDS

	2013 **HK$'000**	2012 HK$'000
Interim dividend of HK$0.05 *(2012: HK$Nil) per share (Note (a))*	**89,606**	–
Proposed final dividend of HK$0.05 *(2012: HK$Nil) per share (Note (b))*	**89,606**	–
	179,212	–

Notes:

(a) On 10th May 2013, the Board declared an interim dividend of HK$0.05 per share. This interim dividend was distributed on 24th June 2013.

(b) On 19th March 2014, the Board proposed the payment of a final dividend of HK$0.05 per share. The proposed final dividend has not been recognised as dividend payables in the balance sheet as at 31st December 2013, but will be reflected as an appropriation of reserves in the year ending 31st December 2014 if it is approved by the shareholders of the Company (the "Shareholders") in the forthcoming annual general meeting ("AGM").

16. EARNINGS/(LOSS) PER SHARE

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

	2013 HK$'000	2012 HK$'000
Profit/(Loss) attributable to owners of the parent	2,167,412	(499,954)

	2013 '000	2012 '000
Issued ordinary shares at 1st January	1,747,506	1,735,120
Effect of share options exercised	32,221	7,125
Weighted average number of ordinary shares for basic earnings/(loss) per share	1,779,727	1,742,245
Effect of dilutive potential ordinary shares:		
Exercise of share options	7,753	N/A
Weighted average number of ordinary shares for diluted earnings/(loss) per share	1,787,480	1,742,245
	HK$	HK$
Earnings/(Loss) per share:		
– Basic	1.22	(0.29)
– Diluted *(Note)*	1.21	(0.29)

Note: The calculation of diluted earnings per share for the year ended 31st December 2013 is based on the profit attributable to owners of the parent of approximately HK$2,167,412,000, and the weighted average number of ordinary shares issued during the year after adjusting for the number of dilutive potential ordinary shares of approximately 1,787,480,000 arising from the outstanding share options granted under the Company's share option scheme.

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.

17. INVESTMENT PROPERTIES

	Group	
	2013 HK$'000	2012 HK$'000
At fair value		
At beginning of year	46,480	36,300
Fair value gains	3,120	10,180
At balance sheet date	49,600	46,480

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

The investment properties were revalued as at 31st December 2013 on an open market basis by Roma Appraisals Limited, which are independent professional qualified 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 on a price per square foot basis which is publicly available.

Notes to the Financial Statements

18. 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 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
Disposals	–	–	–	(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
Reconciliation of carrying amounts – year ended 31st December 2013							
At beginning of year	66,892	2,633	8,314	2,595	14,237	818	95,489
Additions	–	–	316	1,378	2,020	429	4,143
Disposal of a subsidiary	–	–	–	–	–	(740)	(740)
Disposals	–	–	–	(126)	(31)	(27)	(184)
Depreciation	(2,881)	(99)	(1,647)	(1,263)	(2,879)	(136)	(8,905)
Exchange realignment	2,057	–	237	61	399	23	2,777
At balance sheet date	**66,068**	**2,534**	**7,220**	**2,645**	**13,746**	**367**	**92,580**
As at 1st January 2013							
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
As at 31st December 2013							
Cost	92,402	2,972	22,200	10,273	47,167	1,268	176,282
Accumulated depreciation and impairment losses	(26,334)	(438)	(14,980)	(7,628)	(33,421)	(901)	(83,702)
	66,068	**2,534**	**7,220**	**2,645**	**13,746**	**367**	**92,580**

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.

19. 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$13,150,000 *(2012: approximately HK$13,131,000)*. The amount to be amortised within the next twelve months after the balance sheet date of approximately HK$394,000 *(2012: approximately HK$382,000)* is included in current assets.

20. INTERESTS IN SUBSIDIARIES

	Company	
	2013	2012
	HK$'000	HK$'000
Unlisted shares, at cost	**176,000**	176,000
Amounts due from subsidiaries *(Note (a))*	**384,263**	462,851
	560,263	638,851
Dividend receivable from a subsidiary	**100,000**	–
Amounts due to subsidiaries *(Note (b))*	**(4,766)**	(4,872)

Notes:

(a) Amount due from a subsidiary with carrying amount of HK$3,675,000 *(2012: HK$3,500,000)* 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 2013 are set out in note 38.

Notes to the Financial Statements

21. INTEREST IN A JOINT VENTURE

	Group	
	2013	2012
	HK$'000	HK$'000
Interest in a joint venture		
Share of net assets	**2,562,827**	2,535,249
Released upon disposal of a subsidiary	**(2,562,827)**	–
	–	2,535,249

Notes:

(a) Details of the joint venture, which is accounted for using the equity method in the consolidated financial statements, are as follows:

Name of joint venture	Principal place of business and place of incorporation	Particular of registered capital	Proportion of registered capital held by the Company	Principal activity
Gongbujiangda Jiangnan Industrial Development Company Limited ("JI")	The PRC	100,000,000	36.66%	Investment in Ping An Shares

JI, the only joint venture in which the Group participated, is an unlisted corporate entity whose quoted market price is not available. JI was jointly owned by the Group with another party to carry out investing activities in the PRC.

Summarised financial information of JI is set out below, which represents amounts shown in the JI's financial statements prepared in accordance with HKFRSs and adjusted by the Group for equity accounting purposes including any differences in accounting policies and fair value adjustments, as appropriate.

21. INTEREST IN A JOINT VENTURE *(Continued)*

Notes: (Continued)

(a) *(Continued)*

	2013 HK$'000	2012 HK$'000
Gross amounts of		
Current assets	**203,446**	209,079
Non-current assets	**7,340,283**	7,548,123
Current liabilities	**(203,742)**	(193,290)
Non-current liabilities	**(100,483)**	(97,423)
Equity	**7,239,504**	7,466,489
Included in above:		
Cash and cash equivalents	**4,122**	209,079
Current financial liabilities (excluding trade and other payables and provisions)	**(198,423)**	–
Revenue	**92,052**	70,929
Expense	**(21,261)**	(6,287)
Profit for the year	**70,791**	64,642
Other comprehensive loss	**(444,978)**	(66,175)
Total comprehensive loss	**(374,187)**	(1,533)
Included in above:		
Interest income	**4,588**	4,601
Interest expense	**(4,043)**	–
Income tax expenses	**(52)**	(132)
Dividend received from a joint venture	**132,980**	–
Reconciled to the Group's share of income statement and statement of comprehensive income in JI		
Gross amount of JI's profit	**70,791**	64,642
Gross amount of JI's other comprehensive loss	**(444,978)**	(66,175)
Group's effective interest	**36.66%**	36.66%
Group's share of JI's profit	**25,952**	23,698
Group's share of JI's other comprehensive loss#	**(45,993)**	(110,727)
Reconciled to the Group's interest in JI		
Gross amount of JI's net assets	**7,239,504**	7,466,489
Group's effective interest	**36.66%**	36.66%
Group's share of JI's net assets*	**2,562,827**	2,535,249
Released upon disposal of a subsidiary	**(2,562,827)**	–
Carrying amount	–	2,535,249

21. INTEREST IN A JOINT VENTURE *(Continued)*

Notes: (Continued)

(a) *(Continued)*

The amount represents the loss on change in fair value of the associated economic benefits of the 51,000,000 Ping An Shares (net of tax) of approximately HK$45,993,000 *(2012: HK$110,727,000)* attributed to Golden Yuxing, a wholly-owned subsidiary of the Company as mentioned in *Note (b)* below.

* The amount represents the fair value (after deducting the recognised deferred tax liabilities arising from the cumulative net change in fair value) of the associated economic benefits of the 51,000,000 Ping An Shares attributed to Golden Yuxing amounted to approximately HK$2,562,936,000 *(2012: approximately HK$2,529,461,000)* as mentioned in *Note (b)* below and the share of JI's net current liabilities of approximately HK$109,000 *(2012: net current assets of approximately HK$5,788,000)*.

The above financial information is prepared using the same accounting policies of the Group.

(b) Included in the share of net assets of a joint venture was 51,000,000 Ping An Shares with fair value of approximately HK$2,562,936,000 as at 31st December 2013 *(2012: approximately HK$2,529,461,000)* for which the Company, through Golden Yuxing held 36.66% equity interest in JI (and hence the associated economic benefits in respect of the corresponding 51,000,000 Ping An Shares) in accordance with the bilateral agreement (the "Agreement") with 林芝正大環球投資有限公司 (the "New JI Shareholder") who holds 63.34% equity interest in JI, for the purpose of governing their respective interest in Ping An Shares through their equity interest in JI. According to the Agreement, all significant matters of JI have to be approved by both shareholders. In the opinion of the Directors, 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.

As at 31st December 2013, the fair value of 51,000,000 Ping An Shares was determined by Vigers Appraisal & Consulting Limited ("Vigers"), which was based on its market value with the impact of freezing order and the relevant releasing arrangement as specified in note 30 on settlement fee payable being taken into consideration by using the Discount for Lack of Marketability Model. Accordingly, a share of loss on change in fair value of Ping An Shares (net of tax) of approximately HK$45,993,000 *(equivalent to approximately RMB36,159,000)* as at 31st December 2013 was recorded in other comprehensive loss *(2012: approximately HK$110,727,000 (equivalent to approximately RMB89,788,000))*.

As further detailed in note 32, on 11th October 2013, the Group entered into a conditional agreement, to dispose of the entire equity interest in Golden Yuxing. The Group ceased to recognise JI as a joint venture when the transaction was completed upon the satisfaction of all the key conditions as specified in the Company's circular dated 31st October 2013 (i.e. including but not limited to obtaining the approvals from the Shareholders, the board of directors of Golden Yuxing and the relevant PRC authorities) on 31st December 2013.

22. INVENTORIES

	Group	
	2013	2012
	HK$'000	HK$'000
Raw materials	**33,854**	39,858
Work-in-progress	**32,851**	16,934
Finished goods	**13,064**	26,220
	79,769	83,012

23. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade and bills receivables	**161,313**	152,185	**–**	–
Less: Impairment in respect of trade receivables	**(2,545)**	(3,999)	**–**	–
	158,768	148,186	**–**	–
Other receivables, net of impairment	**8,668**	17,614	**1**	900
Other loans	**40,714**	–	**–**	–
Prepayments and deposits	**8,090**	16,990	**283**	294
	216,240	182,790	**284**	1,194

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$2,185,000 *(2012: approximately HK$2,697,000)*. All of the other trade and other receivables are expected to be recovered or recognised as expenses within one year.

Other loans represent receivables from an independent third party with an aggregate principal amount of HK$40,714,000, mature on 2nd January 2014 and carry fixed interest rate of 4.60% per annum.

The Group grants its trade customers an average credit period from 30 days to 18 months *(2012: 30 days to 18 months)*. The ageing analysis of trade and bills receivables (net of impairment) by delivery date at the balance sheet date is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
0-30 days	**84,875**	77,323
31-60 days	**48,881**	19,850
61-90 days	**18,813**	46,846
Over 90 days	**6,199**	4,167
	158,768	148,186

23. TRADE AND OTHER RECEIVABLES *(Continued)*

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	
	2013	2012
	HK$'000	HK$'000
As at 1st January	**3,999**	4,388
Impairment losses recognised	**–**	235
Reversal of impairment loss	**–**	(150)
Write-off	**(1,544)**	(471)
Exchange realignment	**90**	(3)
As at 31st December	**2,545**	3,999

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

	Group	
	2013	2012
	HK$'000	HK$'000
As at 1st January	**1,256**	4,378
Impairment losses recognised	**–**	822
Reversal of impairment loss	**(399)**	(3,932)
Write-off	**(531)**	–
Exchange realignment	**33**	(12)
As at 31st December	**359**	1,256

23. 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 is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Neither past due nor impaired	**150,265**	135,115
Less than 3 months past due	**8,390**	4,602
3 months to 6 months past due	**–**	–
6 months to 9 months past due	**–**	5,749
Past due over 9 months	**113**	2,720
Past due but not impaired	**8,503**	13,071
	158,768	148,186

Receivables that were neither past due nor impaired or past due but not impaired relate to a wide range of 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.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		Group	
		2013	2012
	Notes	**HK$'000**	HK$'000
Held-for-trading investments (at fair value):			
Listed equity securities in Hong Kong		**2,059**	1,948
Listed equity securities outside Hong Kong		**70,533**	43,547
Unlisted investment fund outside Hong Kong		**–**	9,866
	(a)	**72,592**	55,361
Derivative financial instruments (at fair value):			
Guaranteed minimum return contract	(b)	**323**	–
Equity investment contract	(c)	**291,047**	–
		291,370	–
		363,962	55,361
At the balance sheet date:			
Current portion		**363,639**	55,361
Non-current portion		**323**	–
		363,962	55,361

Notes to the Financial Statements

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Notes:

(a) The fair value of listed equity securities is based on quoted market prices in active markets as at the balance sheet date.

(b) *Guaranteed minimum return contract*

In 2012, 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 BVI. YXT holds 66.67% equity interest in Up Spacious with an initial investment cost of HK$20,000,000 whereas the Counterparty holds the remaining shareholding of 33.33% in Up Spacious with an initial investment cost of HK$10,000,000. 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 ("Expiry 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$6,600,000, 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 Expiry Date or the net asset value of Up Spacious reduced to HK$20,000,000 (that is 2/3 of the initial capital contribution of the investors) on or before the Expiry 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.

Net gain on change in fair value of the above Put Option and Call Option of approximately HK$421,000 *(2012: net loss of approximately HK$98,000)* was recognised to profit or loss for the year ended 31st December 2013 based on the valuation performed by Vigers using Binomial Model.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Notes: (Continued)

(b) Guaranteed minimum return contract (Continued)

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	1.3 years	1.3 years
Exercisable period	Between the inception date of the contract and the Expiry Date	On the Expiry Date (if Put Option is not exercised)
Expected volatility	43.83%	43.83%
Risk free rate	0.40%	0.40%

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

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 2013:

	HK$'000
Fair value of contracts not recognised through profit or loss as at 1st January 2013	4,830
Net fair value gain of new contract at inception not recognised in profit or loss	–
Fair value of contracts not recognised through profit or loss as at 31st December 2013	4,830

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Notes: (Continued)

(c) Equity investment contract

As further detailed in note 32, on 11th October 2013, the Group entered into a conditional agreement with a third party purchaser and JI pursuant to which the Group agreed to dispose of the entire equity interests in Golden Yuxing. At the same time, it was agreed that the Group shall repurchase no more than 41,000,000 Ping An Shares but no less than 27,000,000 Ping An Shares at an exercise price of RMB37.29 per share from JI during 90 days after the final payment date of the disposal agreement (the "Repurchase(s)").

The Group's obligation to repurchase no less than 27,000,000 Ping An Shares and the Group's right but not an obligation to further repurchase up to 14,000,000 Ping An Shares under the terms of the Repurchase(s) set out in the disposal agreement are treated, respectively, as put option and call option and the fair values of such options are estimated with reference to the amount valued by Vigers at completion date of the disposal on 31st December 2013 using Binomial Model.

As at 31st December 2013, the fair value of the above put option of approximately HK$25,001,000 was classified as financial liabilities at fair value through profit or loss under current liabilities *(note 31)*, whereas the fair value of the above call option of approximately HK$291,047,000 was classified as financial assets at fair value through profit or loss under current assets. The net gain of fair values of put option and call option (due to the Repurchase(s)) of approximately HK$266,046,000 was recognised in profit or loss and form part of the gain on disposal of Golden Yuxing *(note 32)*.

Nature of derivatives	Put option	Call option
Share price of Ping An Share at 31st December 2013	RMB41.73	RMB41.73
Exercise price	RMB37.29	RMB37.29
Start date	31st December 2013	31st December 2013
End date	31st March 2014	31st March 2014
Expected life	0.25 year	0.25 year
Expected volatility	31%	31%
Expected dividend	HK$Nil	HK$Nil
Risk free rate	4.61%	4.61%

Subsequent to the balance sheet date, the Group has repurchased 10,000,000 Ping An shares from JI at total cash consideration of approximately RMB372,900,000.

25. TRADE AND OTHER PAYABLES

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables *(Note (a))*	**133,052**	154,904	**–**	–
Other payables *(Note (b))*	**15,347**	17,487	**4**	4
Refundable deposit for disposal of a subsidiary *(Note (c))*	**38,158**	–	**–**	–
Accruals	**93,722**	43,326	**55,788**	2,319
	280,279	215,717	**55,792**	2,323

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

	Group	
	2013	2012
	HK$'000	HK$'000
0-30 days	**45,415**	61,109
31-60 days	**36,534**	44,780
61-90 days	**18,446**	29,086
Over 90 days	**32,657**	19,929
	133,052	154,904

Note (b): Included in other payables was margin facilities with carrying amount of approximately HK$1,584,000 *(2012: approximately HK$1,488,000)* that were granted by a regulated securities broker under which financial assets at fair value through profit or loss of approximately HK$3,213,000 *(2012: approximately HK$3,401,000)* were treated as collateral for the margin facilities granted. The facilities bear interest at Hong Kong Prime Rate plus 1% per annum *(2012: Hong Kong Prime Rate plus 2% per annum)*.

Note (c): The amount represented refundable deposit in connection with the disposal of Golden Yuxing as further detailed in the Company's circular dated 31st October 2013. All the deposit has been refunded to the purchaser after the balance sheet date.

Notes to the Financial Statements

26. BANK LOANS

Bank loans comprise:

	Group 2013 HK$'000	2012 HK$'000
Current and secured		
Short-term loans	**73,284**	88,209
Portion of term loans from banks due for repayment within one year	**1,215**	1,185
Portion of term loans from banks due for repayment after one year	**9,576**	10,791
Term loans with a repayment on demand clause	**10,791**	11,976
	84,075	100,185
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	**74,499**	89,394
After one but within two years	**1,247**	1,216
After two but within five years	**3,930**	3,833
After five years	**4,399**	5,742
	84,075	100,185

As at 31st December 2013, interests were charged on the bank loans at rates ranging from 2.45%-5.75% *(2012: 2.45%-7.54%)* per annum. Bank loans were secured by the assets of the Group as disclosed in note 29.

27. SHARE CAPITAL

	Number of shares		Amount	
	2013	2012	**2013**	2012
	'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	**1,747,506**	1,735,120	**43,688**	43,378
Exercise of share options *(Note)*	**44,611**	12,386	**1,115**	310
At end of year				
Ordinary shares of HK$0.025 each	**1,792,117**	1,747,506	**44,803**	43,688

Note:

During the year ended 31st December 2013, 44,611,000 *(2012: 12,386,000)* ordinary shares of HK$0.025 each were issued at total amount of approximately HK$13,272,000 *(2012: approximately HK$3,685,000)* as a result of the exercise of share options of the Company.

Notes to the Financial Statements

28. 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))*	Other reserves HK$'000 *(Note (b)(vii))*	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000
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 joint venture (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:									
Contributions and distributions									
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 and as at 1st January 2013	41,693	20,435	234,621	29,021	1,682,822	687,064	–	(393,828)	2,301,828
Profit for the year	–	–	–	–	–	–	–	2,167,412	2,167,412
Other comprehensive loss:									
Share of other comprehensive loss arising from interest in a joint venture (net of tax)	–	–	–	–	(45,993)	–	–	–	(45,993)
Exchange differences arising on translation of PRC subsidiaries	–	–	–	–	–	71,163	–	–	71,163
Release of reserves upon disposal of a subsidiary *(Note (b)(v), (vi))*	–	–	–	–	(1,636,829)	(678,863)	–	–	(2,315,692)
Total other comprehensive loss	–	–	–	–	(1,682,822)	(607,700)	–	–	(2,290,522)
Total comprehensive loss for the year	–	–	–	–	(1,682,822)	(607,700)	–	2,167,412	(123,110)
Release of statutory reserves upon disposal of a subsidiary *(Note (b)(ii))*	–	(11,767)	–	–	–	–	–	11,767	–
Transactions with owners:									
Contributions and distributions									
Issue of shares under share option scheme *(Note (a))*	15,572	–	–	(3,415)	–	–	–	–	12,157
Share options expired *(Note (b)(iv))*	–	–	–	(25,606)	–	–	–	25,606	–
Interim dividend	–	–	–	–	–	–	–	(89,606)	(89,606)
Changes in ownership interests									
Change in ownership interest in a subsidiary that does not result in a loss of control	–	–	–	–	–	–	(1,113)	–	(1,113)
Total transactions with owners	15,572	–	–	(29,021)	–	–	(1,113)	(64,000)	(78,562)
As at 31st December 2013	**57,265**	**8,668**	**234,621**	**–**	**–**	**79,364**	**(1,113)**	**1,721,351**	**2,100,156**

28. 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 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:					
Contributions and distributions					
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 and as at 1st January 2013	41,693	380,621	29,021	143,295	594,630
Profit for the year	–	–	–	39,294	39,294
Total comprehensive income for the year	–	–	–	39,294	39,294
Transactions with owners:					
Contributions and distributions					
Issue of shares under share option scheme *(Note (a))*	15,572	–	(3,415)	–	12,157
Share options expired *(Note (b)(iv))*	–	–	(25,606)	25,606	–
Interim dividend	–	–	–	(89,606)	(89,606)
Total transactions with owners	15,572	–	(29,021)	(64,000)	(77,449)
As at 31st December 2013	**57,265**	**380,621**	**–**	**118,589**	**556,475**

28. RESERVES *(Continued)*

Notes:

(a) Issue of shares under share option scheme

During the year ended 31st December 2013, options were exercised to subscribe for 44,611,000 *(2012: 12,386,000)* ordinary shares in the Company at a consideration of approximately HK$13,272,000 *(2012: approximately HK$3,685,000)* of which approximately HK$1,115,000 *(2012: approximately HK$310,000)* was credited to share capital and the balance of approximately HK$12,157,000 *(2012: approximately HK$3,375,000)* was credited to the share premium account. Approximately HK$3,415,000 *(2012: approximately HK$1,315,000)* 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.

During the year ended 31st December 2013, the Group transferred from retained profits of HK$Nil *(2012: approximately HK$245,000)* to the statutory reserves and approximately HK$11,767,000 *(2012: HK$Nil)* was released upon disposal of a subsidiary.

(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.

28. 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. During the year ended 31st December 2013, approximately HK$25,606,000 *(2012: HK$Nil)* was transferred from share option reserves to retained profits in relation to the forfeiture of share options upon the expiry of the exercisable period.

(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. During the year ended 31st December 2013, approximately HK$1,636,829,000 *(2012: HK$Nil)* was released upon disposal of a subsidiary.

(vi) Translation reserves

The translation reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations. During the year ended 31st December 2013, approximately HK$678,863,000 *(2012: HK$Nil)* was released upon disposal of a subsidiary.

(vii) Other reserves

The other reserve has been set up and dealt with in accordance with the accounting policies adopted for the changes in ownership interests in subsidiaries that do not result in a loss of control. During the year, the Group disposed of 1% equity interest in a PRC subsidiary to an independent third party. As a result, a deficit of approximately HK$1,113,000 *(2012: HK$Nil)*, which represents the difference between the amount by which the non-controlling interests are the adjusted and fair value of consideration paid, was debited to equity.

As at 31st December 2013, the total contributed surplus and retained profits of approximately HK$499,210,000 *(2012: approximately HK$523,916,000)* is available for distribution to owners of the parent.

29. PLEDGE OF ASSETS

As at 31st December 2013, the Group had pledged the following assets to secure the banking facilities:

(a) Investment properties of the Group with carrying value of HK$49,600,000 *(2012: HK$46,480,000)*;

(b) Prepaid lease payments, buildings and leasehold improvements of the Group with carrying values of approximately HK$13,544,000 *(2012: approximately HK$13,513,000)*, approximately HK$66,068,000 *(2012: approximately HK$66,892,000)* and approximately HK$292,000 *(2012: approximately HK$306,000)* respectively;

(c) The trade receivables from third parties of the Group with carrying value of approximately HK$10,196,000 *(2012: approximately HK$47,088,000)*;

(d) A leasehold property of the Group with carrying value of approximately HK$2,534,000 *(2012: approximately HK$2,633,000)*; and

(e) Bank deposit of the Group with carrying value of approximately HK$1,811,000 *(2012: approximately HK$24,318,000)*.

30. SETTLEMENT FEE PAYABLE

	Group	
	2013	2012
	HK$'000	HK$'000
Balance as at 1st January	**520,291**	–
Settlement fee in respect of court settlement charged to profit or loss	–	518,436
Amortised interest expenses for settlement fee charged to profit or loss	**22,226**	–
Exchange realignment	**16,690**	1,855
Paid during the year	**(190,791)**	–
Released upon disposal of a subsidiary	**(368,416)**	–
Balance as at 31st December	**–**	520,291
Portion classified as current liabilities	**–**	(184,980)
Non-current portion	**–**	335,311

References are made to the announcements of the Company dated 30th January 2013 and 4th February 2013 and the circular of the Company dated 28th February 2013 (the "Circular"), Golden Yuxing and Guangdong Jianlibao Group Company Limited ("JLB Group") entered into a settlement agreement on 30th January 2013 (the "Settlement Agreement") with a view to settling certain legal proceedings between them (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 (the "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 existed between the parties before signing the Final Settlement Agreement. In the meantime, the Company has agreed to provide a guarantee (the "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 approved by the Shareholders at the special general meeting of the Company on 18th March 2013. Further details are set out in the Company's announcements dated 30th January 2013, 4th February 2013, 18th March 2013, 27th March 2013, 11th April 2013 and 7th May 2013, and the Circular.

On 7th May 2013, the Company received a certification letter (the "Certification") dated 24th April 2013 from 西藏自治區工布江達縣工商行政管理局 (Gongbujiangda County Administration for Industry and Commerce, Tibet Autonomous Region*) at which JI is registered. The Certification confirmed the receipt of two separate execution notices issued by the Intermediate People's Court of Foshan of Guangdong Province, the PRC on 24th April 2013 and the Higher People's Court of Guangdong Province, the PRC (the "Guangdong Higher Court") on 11th April 2013 ("Notices") in support of the release of Golden Yuxing's 29.472% equity interest in JI (and hence the associated economic benefits of 41 million Ping An Shares). On this basis, the release date, that is, the next day after the date of acknowledgement by the relevant local Administration for Industry and Commerce of the Notices has been confirmed to be 25th April 2013. According to the Settlement Agreements, the remaining 3.594% and 3.594% equity interests in JI held by Golden Yuxing will continue to be frozen by the Guangdong Higher Court until upon the settlement of second tranche and third tranche of Settlement Fee by Golden Yuxing respectively.

30. SETTLEMENT FEE PAYABLE *(Continued)*

On 27th September 2013, Golden Yuxing and JI entered into a loan agreement relating to a one year term loan in the principal amount of RMB156,000,000 (equivalent to approximately HK$198,423,000) provided by JI (the "JI Loan") for settling the first tranche of RMB150,000,000 of Settlement Fee and related expense. Golden Yuxing has agreed for JI to enter into a fundraising transaction with an independent financier to raise funds for the JI Loan on the security of 8,800,000 Ping An Shares (including any dividends and other interests arising in relation to the relevant shares) in which Golden Yuxing has an indirect interest through JI which are not subject to the freezing order imposed by Guangdong Higher Court. On 23rd October 2013, Golden Yuxing used the JI Loan to fully settle the first tranche of the Settlement Fee to JLB Group and its designated entities. During the year ended 31st December 2013, total interest on JI Loan amounting to approximately HK$4,043,000 was recognised in profit or loss.

As further detailed in note 32, on 11th October 2013, the Group entered into a conditional agreement in relation to the disposal of the entire equity interest in Golden Yuxing. The remaining undiscounted Settlement Fee payable and JI Loan of approximately HK$381,582,000 and approximately HK$198,423,000 were released respectively upon the completion of the disposal of Golden Yuxing on 31st December 2013.

31. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31st December 2013, the Group had the following derivative financial instruments:

	Notes	2013 HK$'000	2012 HK$'000
At fair value			
Guaranteed minimum return contract	24(b)	–	98
Equity investment contract	24(c)	**25,001**	–
		25,001	98

Notes to the Financial Statements

32. DISPOSAL OF A SUBSIDIARY

Pursuant to a conditional agreement dated 11th October 2013, the Group agreed to dispose of the entire equity interests in Golden Yuxing to an independent third party for a total consideration of approximately RMB1,413.8 million (equivalent to approximately HK$1,798.3 million).

The disposal was completed on 31st December 2013. Accordingly, Golden Yuxing ceased to be a subsidiary of the Group and JI ceased to be a joint venture of the Group, and a gain on disposal of a subsidiary of approximately HK$2,425,977,000 was recognised in profit or loss. The net assets disposed of at the completion date were as follows:

	2013 **HK$'000**
Net assets disposed of	
Property, plant and equipment	**740**
Other receivables	**647**
Interest in a joint venture	**2,562,827**
Cash and bank balances	**54**
Trade and other payables	**(43,411)**
Settlement fee payable	**(368,416)**
Loan advanced from a joint venture	**(198,423)**
	1,954,018
Release of reserves upon disposal	
Translation reserves	**(678,863)**
Investment revaluation reserves	**(1,636,829)**
Net gain of fair value of options in connection with the Repurchase(s) *(note 24 (c))*	**(266,046)**
Gain on disposal	**2,425,977**
Total consideration satisfied by cash consideration	**1,798,257**

32. DISPOSAL OF A SUBSIDIARY *(Continued)*

	2013 HK$'000
Satisfied by:	
Cash received	15,263
Consideration receivable included in current assets *(Note)*	1,782,994
	1,798,257

Analysis of net inflow of cash and cash equivalents in respect of the disposal of a subsidiary:

	2013 HK$'000
Cash received	15,263
Cash and cash equivalents disposed of	(54)
Net inflow of cash and cash equivalents	15,209

Note: The consideration receivable has been fully settled in cash subsequently after the balance sheet date.

33. OPERATING LEASE COMMITMENTS

(a) The Group as lessee

As at 31st December 2013, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Within one year	**2,949**	4,124
In the second to fifth year inclusive	**259**	769
	3,208	4,893

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 2.8% *(2012: 3.0%)* on an ongoing basis.

As at 31st December 2013, the Group had contracted with tenants for the following future minimum lease payments:

	Group	
	2013	2012
	HK$'000	HK$'000
Within one year	**4,887**	7,098
In the second to fifth year inclusive	**8,020**	7,925
Later than fifth year	**4,085**	76
	16,992	15,099

34. 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, expired on 17th May 2013. Under the Scheme, the Directors may grant share options to eligible employees, including Executive Directors, or any persons or entities who have contributed or will contribute to the growth and development of the Group, to subscribe for shares in the Company.

The Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants (the "Eligible Participants") to take up share options to subscribe for the shares of the Company:

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

(ii) any Non-Executive Director (including Independent Non-Executive Director) of any member of the Group or any Invested Entity;

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

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

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

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

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

34. 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 AGM which was held on 26th June 2008, the Scheme Mandate Limit was refreshed and approved by the Shareholders, so that the maximum number of shares which fall to be issued upon exercise of all options that may be granted by the Company would be 162,794,000 shares, representing 10% of the shares in issue as at the date of approval of the refreshment of the Scheme Mandate Limit at the AGM. The number of shares in respect of which options may be granted to any Eligible Participant in any one year is not permitted to exceed 1% of the shares of the Company then in issue, without prior approval from the 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 2013, the total number of shares in respect of which share options had been granted and remained outstanding under the Scheme was Nil *(2012: 105,942,000),* representing Nil *(2012: 6.06%)* of the shares of the Company in issue at that date.

34. SHARE OPTION SCHEME *(Continued)*

(a) Movements in share options:

	Number of options	
	2013	2012
As at 1st January	**105,942,000**	118,328,000
Exercised during the year	**(44,611,000)**	(12,386,000)
Forfeited during the year	**(61,331,000)**	–
As at 31st December	**–**	105,942,000
Options vested as at 31st December	**–**	105,942,000

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

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

34. SHARE OPTION SCHEME *(Continued)*

(c) Details of the movements of share options granted during the years ended 31st December 2013 and 2012 to subscribe for the shares in the Company are as follows:

For the year ended 31st December 2013

	Date of grant	Exercisable period	Exercise price HK$	As at 1st January 2013	Exercised during the year	Granted during the year	Forfeited during the year	As at 31st December 2013
Directors								
– Mr. Wang An Zhong	26th December 2006	26th December 2006 – 17th May 2013	0.2975	800,000	(800,000)	–	–	–
– 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	48,982,000	(42,851,000)	–	(6,131,000)	–
	4th September 2007	4th September 2007 – 17th May 2013	1.265	55,200,000	–	–	(55,200,000)	–
				105,942,000	(44,611,000)	–	(61,331,000)	–
Exercisable as at 31st December 2013								–

34. SHARE OPTION SCHEME *(Continued)*

(c) *(Continued)*

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

The weighted average share price of the share options exercised during the year at the dates of exercise is HK$0.82 *(2012: HK$0.69)*.

Notes to the Financial Statements

35. 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$6,614,000 *(2012: approximately HK$8,308,000)* represents contributions paid and payable to these schemes by the Group in respect of the current year.

36. RELATED PARTY TRANSACTIONS

Key management compensation

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

	2013 **HK$'000**	2012 HK$'000
Salaries	**59,155**	3,060
Housing allowances	**222**	222
Retirement benefits scheme contributions	**702**	371
	60,079	3,653

37. FINANCIAL GUARANTEE ISSUED

As described in note 30, the Company has issued the New Guarantee to Golden Yuxing in favour of JLB Group in respect of the payment obligations of Golden Yuxing under the Settlement Agreements. Upon the completion of disposal of Golden Yuxing on 31st December 2013, the New Guarantee would still in force until the full payment of the Settlement Fee. As at 31st December 2013, the Directors do not consider it probable that a claim will be made against the Group under the New Guarantee. The maximum liability of the Company at the balance sheet date under the New Guarantee is approximately HK$381,582,000, representing the remaining undiscounted Settlement Fee payable at the balance sheet date.

38. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31st December 2013 are as follows:

Name of subsidiary	Principal place of business and 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%
Golden Rich Asia Investment Limited	HK/limited liability company	Investment holding/HK	1 ordinary share of HK$1	100%
Indirect subsidiaries:				
Beijing Yuxing Software Company Limited	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

38. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Principal place of business and place of incorporation/ kind of legal entity	Principal activities/ place of operation	Particulars of issued share capital/ registered capital	Interest held
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.