TECHNOLOGIES UNIVERSAL

Universal Technologies Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code : 1026

2011 Annual Report

Contents

Highlights of the Year

— Turnover for the year ended 31 December 2011 amounted to HK$240.34 million (2010: HK$122.95 million), representing an increase of 95% over the last fiscal year.

— Net profit attributable to shareholders of the Company for the year ended 31 December 2011 was HK$58.15 million (2010: HK$53.29 million), representing an increase of 9% over the last fiscal year. The main reason for the increase in profit for the year was attributable to the significant increase in turnover of international payment solutions business.

— Basic and diluted earnings per share for the year ended 31 December 2011 amounted to HK3.59 cents and HK3.57 cents respectively (2010: HK3.46 cents and HK3.46 cents respectively).

— The Board of Directors has resolved to recommend a final dividend of HK1.00 cent per share for the year ended 31 December 2011 (2010: HK0.60 cent per share).

Corporate Information

BOARD OF DIRECTORS

Executive Directors:

Lau Yeung Sang *(Chairman)*
Xu Hui *(appointed on 12 March 2012)*
Liu Ruisheng
Luan Yumin
Ren Lili *(resigned on 12 March 2012)*
Chang Hung Lun *(appointed on 23 February 2011)*

Non-Executive Director:

Chow Cheuk Lap

Independent Non-Executive Directors:

Meng Lihui
Wan Xieqiu *(resigned on 23 February 2011)*
Fong Heung Sang
Liu Ji *(resigned on 6 September 2011)*
Dr. Cheung Wai Bun, Charles, *J.P.*
(appointed on 6 September 2011)

COMPANY SECRETARY

Tang Chi Wai

COMPLIANCE OFFICER

Lau Yeung Sang

AUDIT COMMITTEE

Meng Lihui *(Chairman)*
Wan Xieqiu *(resigned on 23 February 2011)*
Fong Heung Sang
Liu Ji *(resigned on 6 September 2011)*
Dr. Cheung Wai Bun, Charles, *J.P.*
(appointed on 6 September 2011)

AUTHORISED REPRESENTATIVES

Lau Yeung Sang
Tang Chi Wai

AUDITOR

PKF
Certified Public Accountants

WEBSITE

www.uth.com.hk

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 601–608, 6/F,
Harbour View Two, Phase Two,
Hong Kong Science Park,
Pak Shek Kok, New Territories
Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street, P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands
British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
Room 1712–16, 17th Floor, Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

PRINCIPAL BANKER

Standard Chartered Bank

Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the annual report of the Company and its subsidiaries (collectively referred to as the Group) for the year ended 31 December 2011.

REVIEW

For the year of 2011, the Group insists on focusing the development of core strategy, along with structural optimisation and layout adjustment. In order to maintaining domestic market share, the Group is able to widely expand oversea business, which is benefited from globalised positioning of the Group.

Above all, there is obvious improvement and increase in the financial status of the Group for the year. Turnover of HK$240.34 million is increased by 95% over last year; net income of HK$58.15 million, an increase of 9%. With the solid capital structure, strong financial support and powerful liquidity, a compact foundation for preventing potential risk and carrying on sustainable development is formed.

Secondly, in term of human resource, the Group keeps recruiting high quality employees to build up the essential elements for sustainable development; in term of group business, there is exciting improvement among all the industries. For payment business, the Group continues to exploit with multi-channel cooperation. An all-around strategic cooperation with oversea area is conducted to obtain an advantage position in the industry. In order to improve the efficiency of integration merchant, the Group improves the existing products and settlement services with stronger risk control policy, which is the main reason of significant increase of sales figures. For timber and furniture manufacturing, along with the ongoing input on branding promotion, "Heritage Mode" becomes well-known in the industry; its branches have extended to central and eastern China. Along with the establishment of standardised production/sales/logistics system, the production cycle is exceedingly shorten, which ensure the need of massive order from distributors and bring a steady revenue growth.

For the year, with the continuous exploitation of products and industries, the Group has made tremendous achievement in the first half of the year; in the second half of the year, facing the external instability, the Group adjust its business models to overcome the challenge and maintain the steady development and interest of shareholders.

In the meantime, the completion of Universal Enterprise Building in Shanghai enables the rapid development of the Group and obtains improvement in operation in order to maintain asset management efficiency. In the year of 2011, the Group's property business obtained high achievement and good reputation regarding to financial income, cost control and brand building.

Chairman's Statement

PROSPECTIVE

Under the prolonging recovery of global economy, the Group will face with severe challenges of cross-industry competition resulting from company merger from different fields. Fortunately, under the Group's orientation and bright market prospective of separated industries under the Group, we obtained excellent achievement last year, and motivate us to go onwards with confidence. The Group will insist on the strategy for solid development, keep exploiting potential aspects and fight for a new target of achievement.

After the successful transfer of listing into Main Board of The Stock Exchange, the Group has reached a brand-new stage, and started to comply a higher standard. The coming year will establish a fast transformation basing on enhancing the existing business, exploiting new business models, setting up an open and united platform to build up our competitiveness.

In recent years, risk control becomes more important for rapid development in diversified business. Only a well established risk control can guarantee the long-term development of the Group. In the future, for external, the Group will seize the market opportunities broaders new investment sections and expand the operational channel; for internal, we will continue the well planned structure, well-organised resources and business strategy, in order to maximise the interest of shareholders and management by generating the core strategy regarding to management innovation, cost control and profit control.

WORDS OF THANKS

On behalf of the Board of Directors, I would like to take this opportunity to express our gratitude to all our staff for their efforts and commitment and to our customers and business partners for their support and also would like to express my heartfelt to our shareholders and members of the Board for their trust and support all these time.

Lau Yeung Sang
Chairman

Hong Kong, 16 March 2012

Management Discussion and Analysis

FINANCIAL OVERVIEW

Turnover and net profit

During the current fiscal year, the Group recorded a turnover of HK$240,339,000, representing an increase of 95% as compared to the last fiscal year. The profit attributable to shareholders of the Company was HK$58,145,000 in the current year, representing an increase of 9% as compared to the last fiscal year. The increase in turnover is mainly due to the major growth of the Group's international payment solutions business. The significant increase in net profit is benefited from the growth of turnover. The growth of turnover is attributable to our staff's hard working, flexibility, creativity, and strategic persistency.

Cost of sales/services rendered

During the current fiscal year, the Group recorded a cost of sales/services rendered of HK$33,755,000 representing an increase of 193% as compared to the last fiscal year. The increase of cost of sales/services rendered is in line with the increase in turnover. It is also mainly due to the major growth of the Group's payment solution business.

Other revenue

During the current fiscal year, the Group recorded other revenue of HK$7,171,000, representing an increase of 74% as compared to the last fiscal year. It is mainly due to an increase in bank interest income and dividend income.

General and administrative expenses

During the current fiscal year, the Group recorded general and administrative expenses of HK$149,170,000, representing an increase of 64% as compared to the last fiscal year. It is mainly due to an increase in staff costs and other general expenditure during the year. The increase in staff costs of HK$27,021,000 was mainly resulted from an increase in number of staff from 468 to 583 as at 31 December 2011 by 115 or 25%. As a percentage of revenue, staff costs decreased to 27% in 2011, as compared to 31% in the last fiscal year. As a result of the foregoing, general and administrative expenses as a percentage of revenue, decreased to 62% in 2011, as compared to 74% in 2010.

Finance costs

During the current fiscal year, the Group recorded a finance costs of HK$9,618,000, representing an increase of 251% as compared to the last fiscal year. It is mainly due to an increase in interest on bank loans and bank charge for expansion of business scale.

Income tax expense

During the current fiscal year, the Group recorded an income tax expense of HK$1,888,000, representing a decrease of 88% as compared to the last fiscal year. The reason of decrease in deferred tax is due to decrease in the percentage change of fair value gain on investment properties compared to last fiscal year.

Management Discussion and Analysis

FINANCIAL OVERVIEW *(continued)*

Investment properties

The Group's investment properties increased by HK$6,130,000 or 5% from HK$114,600,000 as at 31 December 2010 to HK$120,730,000 as at 31 December 2011. It was mainly attributable to exchange adjustments and fair value gain of investment properties during the fiscal year. The fair value of the investment properties as at 31 December 2011 was valued by BMI Appraisals Limited, an independent valuer, on an open market value basis.

Debtors

The Group's debtors decreased by HK$105,483,000 from HK$224,760,000 as at 31 December 2010 to HK$119,277,000 as at 31 December 2011. The decrease was mainly attributable to the shorten settlement period of online payment solutions business. As a result, there is a significant decrease of accounts receivables as compared with 2010.

Deposits, prepayments and other receivables

The Group's deposits, prepayments and other receivables significantly increased by HK$131,236,000 from HK$39,043,000 as at 31 December 2010 to HK$170,279,000 as at 31 December 2011. The increase was mainly attributable increase in utilities and deposits, prepayments related to payment solution business, loans receivable and other receivables incurred in the ordinary course of development of the Group.

Pledged time deposits

The Group's pledged time deposits increased from HK$Nil as at 31 December 2010 to HK$114,736,000 as at 31 December 2011. It represents time deposits pledged to a bank to secure the general banking facilities granted to the Group during the current fiscal year.

Cash and bank balances

The Group's cash and bank balances increased by HK$98,122,000 from HK$267,215,000 as at 31 December 2010 to HK$365,337,000 as at 31 December 2011. As at 31 December 2011, 83% (31 December 2010: 87%) of cash and bank balances was denominated in Renminbi.

Bank loans

The Group's bank loans increased by HK$167,074,000 from HK$50,691,000 as at 31 December 2010 to HK$217,765,000 as at 31 December 2011. The increase of bank loans was mainly attributable to new loans granted by banks to the Group for working capital and further development during the current fiscal year.

Payable to merchants

The Group's payable to merchants decreased by HK$10,982,000 from HK$339,632,000 as at 31 December 2010 to HK$328,650,000 as at 31 December 2011. The decrease was mainly attributable to the increase in the efficiency of the settlement to merchants.

Management Discussion and Analysis

FINANCIAL OVERVIEW *(continued)*

Deposits received, sundry creditors and accruals

The Group's deposits received, sundry creditors and accruals increased by HK$44,529,000 from HK$84,489,000 as at 31 December 2010 to HK$129,018,000 as at 31 December 2011. The increase was mainly attributable to the increase in deposits received and receipts in advance related to payment solution business and increase in sundry creditors incurred in the ordinary course of development of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

At 31 December 2011, the Group had net current assets of HK$135,475,000. Current assets comprised inventories of HK$27,373,000, debtors of HK$119,277,000, deposits, prepayments and other receivables of HK$169,679,000, financial assets at fair value through profit or loss of HK$14,571,000, prepaid land lease premium of HK$1,253,000, pledged time deposits of HK$114,736,000 and cash and bank balances of HK$365,337,000.

Current liabilities comprised bank loans of HK$217,765,000, trade payable of HK$75,000, payable to merchants of HK$328,650,000, deposits received, sundry creditors and accruals of HK$129,018,000 and tax payable of HK$1,243,000.

The gearing ratio (defined as a percentage of total liabilities over total assets) of the Group at 31 December 2011 was 60% (2010: 58%).

The Board considers that the Group's existing financial resources are sufficient to fulfill its commitments, current working capital requirements and further development. In the long term, the Board believes that the Group will continue to fund its foreseeable expenditures through cash flows from operations. However, for a more massive scale of expansion and development, debt or equity financing may be required.

BUSINESS REVIEW AND PROSPECTS

Review

In the year under review, the Group meets an encouraging achievement of the year. The Group achieve self-breakthrough by fighting against the economic downturn. Meanwhile, the Group is also proud of our management for solving intricate tasks with innovation.

During the year, almost all the financial figures of the Group have met target, especially the Group's turnover, which is a double to the year of 2010, and the profit from operations is 2.6 times as it of last year. Considering the overall economic environment, the Group performed outstandingly in the year of 2011, far exceeding the average economic growth, which is directly contributed by the expansion of payment business. In general, such return is the expected outcome of previous strategies.

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS *(continued)*

Review *(continued)*

In term of payment solutions, the competition of online payment keeps increasing. Under the pressure of competition, most of the payment solutions providers focus on expanding their market share within the industry, the margin of profit of the industry keeps dropping. The Group tried to maintain a proper status in the payment business not by blindly seeking expansion of market share, but by controlling the cost effectively under competition. For industry infiltration, such as airline, hotel, travel and other industries with great potential, the Group still being a leader in the market. In the meantime, with the expansion in the offline markets, a considerable number of partnership was built up. Regarding to the innovation and improving of products and solutions, with the core value of online and offline combined, the Group was successfully achieved a comprehensive application of value-added service for both online and offline products which has reached the historical breakthrough and build solid foundation for coming continuous growth.

For timber and furniture manufacturing business, new achievements in related to brand enhancement, distribution model promotion and raw material supply have been accomplished. After three-year promotion, the brand "Heritage Mode" is well recognised by the consumers and gains a leading ranking in the industry. With the enthusiastic popularisation by distributors, there are around 40 "Heritage Mode" franchised stores covering more area of central and eastern China. For manufacturing, by implementing a well connection with the raw material supplier, continuously shipping roughly processed and semi-finished furniture parts and timber from oversea to headquarters for further polish, we are able to shorten the production line circle, speed up the stock turnover and reduce the production cost, which help to satisfy the great demand from our distributors and greatly increase the gross profit and capital income.

The Group's headquarters continuously optimize in both property management and service in this year. On one hand, with the successful allocation of subsidiaries into the new building, the image of the Group is highly promoted; on the other hand, with our high quality services, the building is fully occupied, which provides a stable rental interest. In addition, the Group keeps making effort on exploring industrial park and relevant new industries to build up a solid foundation for future development.

As the business grows, the demand for management talents became more intensive. In order to overcome the challenge, the Group strengthens the internal staff training and extends recruitment for top managers. The number of the Group employee increases twenty-five percent. A well arranged personnel structure is formed and ready for future development. The recruitment of several senior managers makes balance and complement for the knowledge and professional background of the whole management team and be well prepared the Group for the innovation and challenge in the industry to optimise the value of the Company in long term.

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS *(continued)*

Prospects

Under the direction of the Board, our management keeps our words to the shareholders, employees and society to maintain a steady growth of profitability and to fulfill the corporate social responsibility. We have proved ourselves in the past, and we believe we are able to conduct better in the future.

Specifically, the keywords for 2012 are: expedient, consolidate and breakthrough.

Expediency, a stitch in time save nine. By reviewing the global economy and the unique Chinese domestic model, alone with the slow economic recovery, domestic economic reform and policy adjustment, we still need to face the potential economic instability. In order to sustain a firm operation under such circumstance, we decide to maintain the interest of shareholders and stabilise the dominant position of existing business, to make extremely cautious resolution for crucial medium-term and long-term investment projects. This is also the perfect opportunity for project initiation and staff training. The Group will put more resource into the project research, personnel recruitment and education. Another crucial element is the precise recognition of the current market. In the year of 2012, the Group will closely follow the market and take prompt action accordingly. We believe we will keep on a steady growth before the next economic turning point and will be ready for a new outbreak.

Consolidation of self-strength. Our three strengths will be consolidated and become more evident in the coming years. First of all, the strength of talent. This is the essential for continuous innovation and development of the Group. We learnt our lesson and gained tons of experience from the past, and now we have the competency to make better structural combination and great use of our employees. We expect a steady increase of employee and average efficiency. Secondly, diversity of industries. This has benefited the shareholders greatly. The industrial configuration makes far-reaching influence on the future. The Group will continue to develop the existing industries, to focus on high return industries, to make transformation or abundance of the Group’s business with low return or product cycle, and to discover and exploit new industries. Finally, consolidation of our strength on execution. This is the comprehensive outcome of corporate culture and system. Only by increasing the cohesiveness of corporate culture and optimising the corporate system, competitive capacity of execution can be achieved.

Breakthrough is a spirit and a natural return. Although there are plenty of uncertainties, with the expediency and consolidation of the Group, precise recognition of the external dynamics, self-revolution, and well organised employee and industrial structures, we believe a new breakthrough on operation and corporate value could be expected at any time.

Management Discussion and Analysis

EMPLOYEES

At 31 December 2011, the total number of employees of the Group was 583 (2010: 468). The dedication and contribution of the Group's staff during the year are greatly appreciated and recognised.

Employees (including directors) are remunerated according to their performance and working experience. On top of basic salaries, discretionary bonus and share options may be granted to eligible employee by reference to the Group's performance as well as the individual's performance.

In addition, the Group also provides social security benefits to its staff such as Mandatory Provident Fund Scheme in Hong Kong and the central pension scheme in PRC.

TREASURY POLICIES

The Group adopted a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluations of the financial conditions of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the current fiscal year, the Group acquired the entire 100% equity interests in Shanghai Phetion Information Technology Company Limited, at a cash consideration of RMB550,000 (equivalent to HK$670,000). The fair value of the identifiable assets and liabilities of the subsidiary acquired as at the date of acquisition was HK$4,380,000. The newly acquired business did not contribute any turnover to the Group and contributed a loss of HK$1,704,000 to the Group for the period between the date of acquisition and the end of reporting period. The Group recognised a gain on bargain purchase of HK$3,710,000 because the fair value of net assets acquired exceeded the purchase consideration.

During the current fiscal year, the Group acquired an additional 40% equity interests in a subsidiary at a consideration of RMB2,403,000 (equivalent to HK$2,937,000). The carrying amount of the non-controlling interests in the subsidiary on the date of acquisition was HK$3,038,000. The Group recognised a decrease in non-controlling interests on the date of acquisition of HK$3,038,000 and a decrease in equity attributable to shareholders of the Company of HK$101,000.

During the current fiscal year, the Group disposed of 2% equity interests in a subsidiary at a consideration of RMB200,000 (equivalent to HK$244,000). The carrying amount of the non-controlling interests in the subsidiary on the date of disposal was HK$208,000. The Group recognised an increase in non-controlling interests of HK$208,000 and an increase in equity attributable to shareholders of the Company of HK$36,000.

Management Discussion and Analysis

CHARGES ON GROUP'S ASSETS

At 31 December 2011, leasehold land with a net book value of HK$Nil (2010: HK$3,295,000), properties held under medium-term lease with a net book value of HK$18,313,000 (2010: HK$26,183,000), investment properties with carrying amount of HK$120,730,000 (2010: HK$114,600,000), prepaid land lease premium with a net book value of HK$44,309,000 (2010: HK$40,258,000) and time deposits of HK$114,736,000 were pledged to a bank to secure a bank loan granted to the Company.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group had no detailed future plans for material investment or capital assets at 31 December 2011.

CURRENCY RISK

Currently, the market anticipates moderate appreciation pressure on Renminbi. The Group has not implemented any formal policy in dealing with this foreign currency risk. However, in view of the fact that the Group's core business is mainly transacted in Renminbi and significant portion of assets are denominated in Renminbi, the exposure of the Group's risk from exchange rate fluctuation was minimal. For the year ended 31 December 2011, the Group did not enter into any arrangement to hedge its foreign currency exposure. However, the management monitors the related foreign currency exposure closely and will consider hedging significant currency exposure should the need arise.

CONTINGENT LIABILITIES

The directors consider that the Group had no contingent liabilities at 31 December 2011.

Directors, Senior Management and Consultants

DIRECTORS

Executive Directors

Mr. Lau Yeung Sang

Mr. Lau, aged 65, is one of the founders, the Chairman of the Board and an Executive Director of the Group. Mr. Lau is responsible for the overall strategic planning and coordination of all the directors and key management of the Group. Mr. Lau has over 30 years experience in the business operation in the PRC. Mr. Lau is the brother of Mr. Liu Ruisheng, an Executive Director of the Group. Mr. Lau is also the father of Mr. Lau Sik Suen, a Substantial Shareholder of the Group.

Mr. Xu Hui

Mr. Xu, aged 44, has been appointed as the Chief Executive Officer and an Executive Director of the Group on 12 March 2012. Prior to joining the Group, he held a senior position in a conglomerate in Jiangsu Province, the People's Republic of China with responsibility for strategic planning and management of different businesses: including human resources, procurement, land reserve management, tourism marketing and logistics management. Mr. Xu was also previously the deputy general manager of human resources of an investment company, the deputy general manager of a logistics company, the chief operations officer of a real estate company, and the chairman of a tourism company. With his background in areas ranging from property investment, financial guarantee, real estate, logistics and tourism, Mr. Xu is well adapted in diversified corporate environment. Mr. Xu was awarded a Bachelor in Arts degree by 蘇州鐵道師範學院 (Suzhou Railway Teachers College*) and a Master of Business Administration by China Europe International Business School.

Mr. Liu Ruisheng

Mr. Liu, aged 67, is an Executive Director of the Group. Mr. Liu is mainly responsible for the overall strategic planning of the Group. Mr. Liu is a businessman in the PRC, with years of solid experiences gained from e-commerce related companies in the PRC. Mr. Liu is the brother of Mr. Lau Yeung Sang, the Chairman of the Board, an Executive Director and a Substantial Shareholder of the Group. Mr. Liu is also the uncle of Mr. Lau Sik Suen, a Substantial Shareholder of the Group. Mr. Liu joined the Group in March 2004.

Madam Luan Yumin

Madam Luan, aged 35, holds a Bachelor Degree of Human Resource from Nanjing University of Science and Technology. Before joining the Group, Madam Luan was the human resources supervisor in AMD. She has assumed the office of human resources manager, business executive and senior management since she joined the Group in 2001. With a profound understanding of the market and business pattern of payment industry and experience, Madam Luan does a great job in expanding business while handling the risks well under control.

Directors, Senior Management and Consultants

* English translation for identification purpose only.

DIRECTORS *(continued)*

Executive Directors *(continued)*

Madam Ren Lili

Madam Ren, aged 31, graduated from China University of Political Science and Law. Prior to joining the Group, Madam Ren has worked for domestic and foreign listed companies in legal aspects. Madam Ren has extensive professional knowledge and practical experience in legal compliance and business modeling. Madam Ren has been with the Group for more than 7 years. Madam Ren has served in various capacities within the Group overseeing corporate risk management, compliance, investment and financing and investor relations. Madam Ren has played a major role in developing the company's overall strategy and monitoring the development and implementation of those strategies. Madam Ren has been resigned as an Executive Director of the Group on 12 March 2012,

Mr. Chang Hung Lun

Mr. Chang, aged 41, has been appointed as an Executive Director of the Group on 23 February 2011. Mr. Chang has assumed management position in timber, industry park and investment related subsidiaries. Mr. Chang has years of management working experience gained from multinational companies. Mr. Chang joined the Group in 2007 and has been the Vice President in the Company for more than four years.

Non-Executive Director

Mr. Chow Cheuk Lap

Mr. Chow, aged 60, is a Solicitor in Hong Kong. Mr. Chow graduated from University of London with a Bachelor of Economics. Mr. Chow has more than 20 years experience in civil litigation and commercial matters. Mr. Chow is currently a partner of Messrs. C.L. Chow & Macksion Chan, Solicitors.

Independent Non-Executive Directors

Mr. Meng Lihui

Mr. Meng, aged 49, is the Executive Director and general manager of Shanghai Fu Yi Ecological and Environmental Technology Limited, which is mainly providing regional strategic plans of sustainable development, urban-rural developmental plans, ecotourism plans with project investment developmental plans, environmental protection theme and relevant investment consultation service to both private companies and local government authorities in various cities in the PRC. Mr. Meng was honored with bachelor degree of Economics by Fudan University.

Mr. Wan Xieqiu

Mr. Wan, aged 56, is currently a professor and the Dean of School of Finance in Suzhou University. Mr. Wan also acts as a committee member of the Economic Committee, the Financial Committee and the Taxation Committee respectively of Jiangsu Province in the PRC. Mr. Wan has been resigned as an Independent Non-Executive Director, Audit Committee member and Remuneration Committee member of the Group on 23 February 2011.

Directors, Senior Management and Consultants

DIRECTORS *(continued)*

Independent Non-Executive Directors *(continued)*

Mr. Fong Heung Sang

Mr. Fong Heung Sang, aged 52, is an Independent Non-executive Director and a member of each of the Audit Committee and the Remuneration Committee of the Group. Mr. Fong was appointed as an Independent Non-Executive Director on 1 July 2006. Mr. Fong graduated from the University of Nevada Reno with a master degree in business administration in 1989 and from the University of Illinois at Urbana Champaign with a master degree in accountancy in 1993. Mr. Fong is a Certified Public Accountant in the United States of America. Mr. Fong has extensive experience in corporate finance, accounting and auditing and has worked for international accounting firms and a number of public listed companies for more than 20 years.

Mr. Liu Ji

Mr. Liu, aged 76, is the Honorary President of China Europe International Business School in Shanghai and Chairman of CEIBS Foundation. Mr. Liu holds the posts of Deputy Chairman, Research Fellow and Member of the Academic Board, The Chinese Academy of Social Sciences, and Executive President of China Europe International Business School since 1993. Mr. Liu graduated from the Department of Power Mechanical Engineering, Qinghua University, Beijing. Currently, Mr. Liu is also an Independent Non-Executive Director and an Audit Committee member of First Shanghai Investments Limited (whose shares are listed on the Main Board operated by The Stock Exchange of Hong Kong Limited, Stock Code: 227). Mr. Liu has been resigned as an Independent Non-executive Director, member of Audit Committee and Remuneration Committee of the Group on 6 September 2011.

Dr. Cheung Wai Bun, Charles, *J.P.*

Dr. Cheung, aged 75, has been appointed as an Independent Non-executive Director, member of Audit Committee and Remuneration Committee of the Group on 6 September 2011. Dr. Cheung was awarded with Honorary Doctorate by John Dewey University in the United States in 1984. He obtained a Master degree in Business Administration and a Bachelor of Science degree in Accounts and Finance from New York University in the United States in 1962 and 1960, respectively. Dr. Cheung is a director and Vice Chairman of Executive Committee of Metropolitan Bank (China) Ltd., and a director and director of Audit Committee of China Resources Bank of Zhuhai Co., Ltd. He is also a Senior Adviser to the Metropolitan Bank & Trust Company, Philippines. Dr. Cheung is an Independent Non-executive Director and Chairman of respective Audit Committees of Shanghai Electric Group Company Limited (stock code: 2727), Pioneer Global Group Limited (stock code: 224) and China Financial International Investments Limited (stock code: 721), all of which are companies listed on the Main Board of the Stock Exchange. He is an Independent Non-executive Director, a member of Audit Committee and Chairman of Remuneration Committee of Grand T.G Gold Holding Limited (stock code: 8299), a company listed on the GEM of the Stock Exchange. In addition, he is an Executive Chairman of Lightscape Technologies Inc.. Dr. Cheung is also a Council Member of the Hong Kong Institute of Directors. He is a Visiting Professor of School of Business of Nanjing University, China. Dr. Cheung is also the Special Advisor to the President of the University of Victoria, B.C., Canada. He is a member of Hospital Governing Committee of both Kowloon Hospital and Hong Kong Eye Hospital. He was a former director and advisor of the Tung Wah Group of Hospitals. Dr. Cheung was also Chief Executive & Executive Deputy Chairman of Mission Hills Group.

Directors, Senior Management and Consultants

DIRECTORS *(continued)*

Independent Non-Executive Directors *(continued)*

Dr. Cheung Wai Bun, Charles, *J.P.* *(continued)*

Dr. Cheung was awarded the Directors of the Year Awards 2002 of "Listed Company Non-Executive Director". He was elected Outstanding Director Award by the Chartered Association of Directors, Outstanding Management Award by Chartered Management Association, and Outstanding CEO Award by the Asia Pacific CEO Association in December 2010.

SENIOR MANAGEMENT

Mr. Tang Chi Wai

Mr. Tang, aged 38, is the qualified accountant, the company secretary and one of the authorised representatives of the Group. Mr. Tang joined the Group as Financial Controller in June 2008. Mr. Tang is a fellow member of the Hong Kong Institute of Certificate Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a member of the Chinese Institute of Certified Public Accountants. Mr. Tang has over 15 years experience in auditing, accounting and financial management.

CONSULTANTS

Mr. Liu Ji

Mr. Liu is the Management Consultant of the Group, please refer to Mr. Liu Ji's biography on page 15.

Mr. Liu Shengjun

Mr. Liu, aged 38, is the Strategic Consultant of the Group. Mr. Liu holds a bachelor degree by Renmin University of China, PhD degree by East China Normal University and a Master of Business Administration by China Europe International Business School (CEIBS). Since 2002, Mr. Liu has been working in CEIBS, now serves as the deputy president of CEIBS Lujiazui International Finance Research Center and associate director of CEIBS Case Development Center. With the publication of "Who Cuts Into Your Happiness: Predicament, Loss and Injustice in a Time of Change", "Management of Power: Institutional Solutions to China's Economic Challenges", he is also the column writer of FT Chinese, Caixin.com, China Business News and Shanghai Securities News.

Mr. Zhang Wei Dong

Mr. Zhang, aged 47, is the Investment Consultant of the Group. Mr. Zhang has over 14 years experience in the operation and management of commercial banking, during which he worked in the International Business Department of the Industrial and Commercial Bank of China Limited ("ICBC") at Deputy General Manager level, including 3 years in ICBC Almaty Branch, where Mr. Zhang was in charge of treasury, credit lending and office operation. Moreover, Mr. Zhang has 12 years of investment banking experience, served as Executive Director of ICEA Finance Group (the investment banking arm of ICBC) and Managing Director of Alpha Alliance Finance Holdings, responsible for corporate finance and sales department respectively. Mr. Zhang holds a master degree from Renmin University in Economics, a diploma of PMD of Harvard Business School, and held a fellowship from Columbia University in New York. Mr. Zhang currently is the lead manager of agricultural fund of Oriental Patron Financial Group, and also the Partner and Deputy CEO primarily responsible for private equity investments. Mr. Zhang was invited to be the Group's Investment Consultant in March 2005.

Corporate Governance Report

The Group is committed to maintaining a high standard of corporate governance. The Board believes that sound corporate governance principles, increased transparency and independence of corporate operation, and an effective shareholder communication mechanism will promote the healthy growth of the Group and enhance the shareholder value.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Group has applied the principles and provisions as set out in the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the"Main Board CG Code"). The Group has complied with all the Code Provisions. It has also put in place certain Recommended Best Practices. The Board periodically reviews the corporate governance practices of the Group to ensure that they meet the requirements of the Main Board CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted the required standard of dealings as set out in Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors.

Having made specific enquiry of all directors, the directors have complied with the above-mentioned required standards of dealings regarding directors' securities transactions throughout year ended 31 December 2011.

BOARD OF DIRECTORS

At the date of this annual report, the Board comprises nine directors, of whom five are Executive Directors and four are Non-executive Directors. The participation of Non-executive Directors in the Board brings independent judgement on issues relating to the Group's strategy, performance, conflicts of interest and management process to ensure that the interests of all shareholders of the Company have been duly considered.

The Board is responsible for the approval and monitoring of the Group's overall strategies and policies; approval of business plans; evaluating the performance of the Group and oversight of management. It is also responsible for promoting the success of the Group and its businesses by directing and supervising the Group's affairs.

The Board focuses on overall strategies and policies with particular attention paid to the growth and financial performance of the Group.

The Board delegates day-to-day operations of the Group to Executive Directors and senior management, while reserving certain key matters for its approval. Decisions of the Board are communicated to the management through Executive Directors who have attended at Board meetings.

The Company has received annual confirmation of independence from each of the independent non-executive directors pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and all independent directors are considered to be independent.

Corporate Governance Report

BOARD OF DIRECTORS *(continued)*

The Board held a regular board meeting for each quarter. Details of the attendance of the Board at the regular quarterly board meeting are as follows:–

Directors	Attendance
Mr. Lau Yeung Sang	4/4
Mr. Xu Hui *(appointed on 12 March 2012)*	0/0
Mr. Liu Ruisheng	4/4
Madam Luan Yumin	4/4
Madam Ren Lili *(resigned on 12 March 2012)*	4/4
Mr. Chang Hung Lun *(appointed on 23 February 2011)*	4/4
Mr. Chow Cheuk Lap	4/4
Mr. Meng Lihui	4/4
Mr. Wan Xieqiu *(resigned on 23 February 2011)*	0/0
Mr. Fong Heung Sang	4/4
Mr. Liu Ji *(resigned on 6 September 2011)*	2/2
Dr. Cheung Wai Bun, Charles, *J.P. (appointed on 6 September 2011)*	2/2

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Group has complied with code provision A.2.1 of the CG Code which stipulates that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual.

APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the directors were appointed for a specific initial term which shall continue thereafter subject to retirement by rotation in accordance with the articles of association of the Company and re-election by shareholders and termination in accordance with the terms of the respective service agreements.

The Articles of Association of the Company provides that any director appointed by the Board, (i) to fill a casual vacancy in the Board, shall hold office only until the next following general meeting of the Company and shall be subject to re-election at such meeting and (ii) as an addition to the Board shall hold office until the next annual general meeting of the Company and shall then be eligible for re-election.

The Articles of Association of the Company also provides that the Company may remove a director by way of an ordinary resolution at general meeting.

REMUNERATION COMMITTEE

The Group established a remuneration committee (the "Remuneration Committee") in July 2006. The Board has reviewed the terms of reference of the Remuneration Committee and confirmed that those are in compliance with paragraph B.1.3 of the Main Board CG Code.

At the date of this annual report, the Remuneration Committee comprises three Independent Non-executive Directors, Mr. Meng Lihui, Mr. Fong Heung Sang and Dr. Cheung Wai Bun, Charles, *J.P.* The Remuneration Committee held one meeting in the 12 months ended 31 December 2011, which was attended by most of the members.

Corporate Governance Report

REMUNERATION COMMITTEE *(continued)*

With effect from 23 February 2011, Mr. Wan Xieqiu resigned as a Remuneration Committee member of the Group due to his other business commitments.

With effect from 6 September 2011, Mr. Liu Ji resigned as a Remuneration Committee member of the Group due to his other business commitments, Dr. Cheung Wai Bun, Charles, *J.P.* was appointed as a Remuneration Committee member of the Group.

The primary objectives of the Remuneration Committee include reviewing, making recommendations on and approving the remuneration policy and structure and remuneration packages of the Executive Directors and the senior executives. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Group as well as market practice and conditions. The Human Resources Department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee shall consult the Group about these recommendations on remuneration policy and structure and remuneration packages.

NOMINATION OF DIRECTORS

The Board is empowered under the Company's Articles of Association to appoint any person as a director either to fill a casual vacancy on or as an additional member of the Board. Qualified candidates will be proposed to the Board for consideration and the selection criteria are mainly based on the assessment of their professional qualifications and experience. The Board selects and recommends candidates for directorship having regard to the balance of skills and experience appropriate to the Group's business.

INTERNAL CONTROL

The Board has overall responsibility for establishing and maintaining an adequate and effective system of internal control of the Group to safeguard the shareholders' investments and the Group's assets.

The Group's internal control system includes a management structure with defined lines of responsibility and limits of authority. It aims to provide reasonable, but not absolute, assurance that assets are safeguarded against misappropriations, transactions are executed in accordance with the management's authorisation, and accounting records are reliable and proper for preparing financial information and are not materially misstated. The system is designed to identify, evaluate and manage effectively risks rather than to eliminate all risks of failure.

The Board, through the Audit Committee, has reviewed the effectiveness of the Group's internal control system, inter alia, the financial, operational and compliance controls and risk management functions of the Group; and the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget. No material deficiencies have been identified. The management will deal with the areas for improvement which come to the attention of the Board and the Audit Committee. The Board is committed to improving the Group's internal control system on an ongoing basis.

Corporate Governance Report

ACCOUNTABILITY AND AUDIT

The directors are responsible for overseeing the preparation of accounts of each financial year, which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that year. In preparing the accounts for the year ended 31 December 2011, the directors have selected suitable accounting policy and applied them consistently, approved adoption of all Hong Kong Financial Reporting Standard, made judgment and estimates that are appropriate, and prepared the accounts on the going concern basis.

The Group has announced its annual result in a timely manner within the limits of three months after the end of the relevant period, as laid down in the Listing Rules.

AUDITOR'S REMUNERATION

Auditor's remuneration of HK$565,000 was charged to the Group's consolidated income statement for the year ended 31 December 2011 (2010 : HK$460,000).

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") in October 2001.The Board has confirmed that the terms of reference are in compliance with paragraph C.3.3 of the Main Board CG Code.

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting process and internal control systems.

At the date of this annual report, the Audit Committee comprises three Independent Non-executive Directors, namely, Mr. Meng Lihui, Mr. Fong Heung Sang and Dr. Cheung Wai Bun, Charles, *J.P.*. The chairman of the Audit Committee is Mr. Meng Lihui.

With effect from 23 February 2011, Mr. Wan Xieqiu resigned as an Audit Committee member of the Company due to his other business commitments.

With effect from 6 September 2011, Mr. Liu Ji resigned as an Audit Committee member of the Company due to his other business commitments, Dr. Cheung Wai Bun, Charles, *J.P.* was appointed as an Audit Committee member of the Company.

Working closely with the management of the Company, the Audit Committee has reviewed the Company's interim results, the accounting principles and practices adopted by the Group, discussed with the Board and management the internal controls, risk management and financial reporting matters.

Corporate Governance Report

AUDIT COMMITTEE *(continued)*

The Audit Committee held two meetings in the 12 months ended 31 December 2011. Details of the attendance of the Audit Committee at the two meetings are as follows:–

Audit Committee	Attendance
Mr. Meng Lihui	2/2
Mr. Wan Xieqiu *(resigned on 23 February 2011)*	0/0
Mr. Fong Heung Sang	2/2
Mr. Liu Ji *(resigned on 6 September 2011)*	1/1
Dr. Cheung Wai Bun, Charles, *J.P. (appointed on 6 September 2011)*	1/1

The Group's interim report 2011 and annual report 2011 have been reviewed by the Audit Committee, which was of the opinion that such reports were prepared in accordance with the applicable accounting standards and requirements. For the annual report 2011, the Audit Committee met with the external auditors to discuss auditing, internal control, statutory compliance and financial reporting matters before recommending it to the Board for approval. The committee also monitored the Group's progress in implementing the principles and provisions as set out in the Main Board CG Code.

COMMUNICATION WITH SHAREHOLDERS

The Group has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meeting, the annual and interim reports, notices, announcements and circulars and the Company's website at www.uth.com.hk.

Directors' Report

The directors have pleasure in presenting their annual report together with the audited consolidated financial statements for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the year was investment holding and those of the principal subsidiaries are set out in note 19(a) to the consolidated financial statements.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2011 and the state of affairs of the Company and of the Group at 31 December 2011 are set out in the consolidated financial statements on pages 34 to 103.

The Board have declared an interim dividend of HK0.80 cent (2010: Nil) per share and a special dividend of HK1.20 cent (2010: Nil) per share, totalling HK$34,108,000 which was paid on 16 September 2011.

The Board has resolved to recommend a final dividend of HK1.00 cent per share (2010: HK0.60 cent) for 2011. The proposal to declare and pay this final dividend will be submitted to the annual general meeting to be held on 30 April 2012 (the "2011 AGM") for the approval of the shareholders.

FIVE YEARS FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 104. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT AND PREPAID LAND LEASE PREMIUM

The Group purchased property, plant and equipment and prepaid land lease premium amounting to HK$20,319,000 during the year. Details of movements in property, plant and equipment and prepaid land lease premium during the year are set out in notes 14(a) and 15 to the consolidated financial statements respectively.

INVESTMENT PROPERTIES

At 31 December 2011, the investment properties of the Group were revalued by an independent valuer on an open market value basis at HK$120,730,000.

Detail of these and other movements in investment properties of the Group during the year are set out in note 16 to the consolidated financial statements.

BANK LOAN

At 31 December 2011, the Group has secured bank loan amounting to HK$217,765,000. Details of bank loan are set out in note 25 to the consolidated financial statements.

Directors' Report

SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in note 30(a) to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in note 32 to the consolidated financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest subsisted at the end of the year or at any time during the year.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company who held office during the year and up to the date of this report were:

Executive Directors:

Mr. Lau Yeung Sang
Mr. Xu Hui *(appointed on 12 March 2012)*
Mr. Liu Ruisheng
Madam Luan Yumin
Madam Ren Lili *(resigned on 12 March 2012)*
Mr. Chang Hung Lun *(appointed on 23 February 2011)*

Non-Executive Director:

Mr. Chow Cheuk Lap

Independent Non-Executive Directors:

Mr. Meng Lihui
Mr. Wan Xieqiu *(resigned on 23 February 2011)*
Mr. Fong Heung Sang
Mr. Liu Ji *(resigned on 6 September 2011)*
Dr. Cheung Wai Bun, Charles, *J.P. (appointed on 6 September 2011)*

The Executive Director, Mr. Xu Hui, was appointed for an initial term of two years commencing from 12 March 2012 and shall hold office until the next following annual general meeting of the Company and shall be eligible for re-election in accordance with article 86 of the Company's Article of Association.

The independent non-executive director, Dr. Cheung Wai Bun, Charles, *J.P.* was appointed for an initial term of two years commencing from 6 September 2011 and shall hold office until the next following annual general meeting of the Company and shall be eligible for re-election in accordance with article 86 of the Company's Article of Association.

Directors' Report

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS *(continued)*

The Non-executive Director and remaining Independent Non-executive Directors were appointed for an initial term of twelve months which is renewable after the expiry of the initial term of appointment.

In accordance with article 87 of the Company's Articles of Association, Mr. Lau Yeung Sang and Madam Luan Yumin shall retire from office by rotation, and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Mr. Liu Ruisheng although not subject to retirement by rotation of the annual general meeting wishes to retire at the annual general meeting, being eligible, offer himself for re-election at the annual general meeting.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

The Company has received annual confirmation of independence from each of the Independent Non-executive Directors pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and all Independent Directors are considered to be independent.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the directors and top five highest paid individuals of the Group are set out in note 7 to the consolidated financial statements.

CONNECTED TRANSACTIONS

No connected transactions to be disclosed under the Listing Rules during the year.

SHARE OPTIONS

(A) GEM Share Option Schemes

Pursuant to the written resolutions passed by all the shareholders of the Company on 12 October 2001, the Company adopted the following share option schemes:–

(i) Share Option Scheme

The purpose of the Share Option Scheme is to advance the interests of the Company and its shareholders by enabling the Company to grant options to attract, retain and reward all the directors (whether executive or non-executive and whether independent or not), the employees (whether full-time or part-time), any consultants or advisers of or to any company in the Group (whether on an employment or contractual or honorary basis and whether paid or unpaid ("Eligible Persons")) and any other persons who, in the absolute opinion of the board of directors (the "Board"), have contributed to the Group and to provide to the Eligible Persons a performance incentive for continued and improved service with the Group and by enhancing such persons' contribution to increase profits by encouraging capital accumulation and share ownership. The directors may at their discretion, invite any Eligible Persons to take up options to subscribe for shares.

Directors' Report

SHARE OPTIONS *(continued)*

(A) GEM Share Option Schemes *(continued)*

(i) Share Option Scheme (continued)

The maximum entitlement for any one participant (including both exercised and outstanding options) in any twelve-month period shall not exceed 1% of the total number of shares in issue.

The period within which the shares must be taken up under the option must not be more than ten years from the date of grant of the option. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company as consideration for the grant. The subscription price for shares in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion may determine save that such price shall not be less than the higher of (i) the closing price per share on GEM as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and (ii) the average of the closing prices per share on GEM as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option.

(ii) Pre-IPO Share Option Schemes

The grantees of these schemes exercised all options before 1 January 2011 and there was no share option outstanding at 31 December 2011.

Upon termination of the GEM Share Option Schemes, no further options may be offered thereunder. However, in respect of the outstanding options, the provisions of the GEM Share Option Schemes shall remain in force. The outstanding options granted under the GEM Share Option Schemes shall continue to be subject to the provision of the GEM Share Option Schemes.

(B) New Share Option Scheme

The GEM Share Option Schemes adopted by the Company on 12 October 2001 were terminated, upon the listing of the shares of the Company being transferred from GEM to the Main Board of the Stock Exchange on 22 June 2010. The Board adopted a new share option scheme ("New Share Option Scheme") which is compliance with the Listing Rules and obtained the approval of the shareholders in accordance with the Listing Rules at the Company's extraordinary general meeting held on 12 August 2010.

The purpose of the New Share Option Scheme is to enable the Company to grant options to participants an incentive or rewards for their contributions to the Group.

Directors' Report

SHARE OPTIONS *(continued)*

(B) New Share Option Scheme *(continued)*

The New Share Option Scheme was adopted for a period of ten years commencing from 12 August 2010 and will remain in force until 11 August 2020, after which period no further options will be offered or granted but the provisions of the scheme shall remain in full force and effect in all other respects with regard to options granted during the life of the scheme. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company as consideration for the grant. The subscription price for shares in respect of any option granted shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant option but in any case the subscription price for shares shall be at least not lower than the higher of (i) the closing price of the share as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average of the closing prices of the share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of the share of the Company.

At 31 December 2011, the number of shares in respect of which options had been granted and outstanding under the GEM Share Option Schemes and New Share Option Scheme was 184,420,000, representing approximately 11% of the issued share capital of the Company.

A summary of the movements of the share options granted under the GEM Shares Option Schemes and New Share Option Scheme during the year is as follows:–

					Number of share options						
Grantees	Date of grant	Vesting period	Exercise period	Exercise price	Outstanding at 1 January 2011	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2011	Market value per share at date of grant of option	Market value per share on exercise of option
Initial management, shareholders and employees	7 February 2002	Fully vested on 7 February 2002	7 February 2002 to 6 February 2012	HK$1.300	350,000	—	—	(150,000)	200,000	HK$1.300	—
Senior management and staff of the Group	9 April 2002	Fully vested on 9 April 2002	9 April 2002 to 8 April 2012	HK$1.400	70,000	—	—	(20,000)	50,000	HK$1.400	—
Director, senior management and staff of the Group	22 February 2008	Fully vested on 22 February 2008	22 February 2008 to 21 February 2011	HK$0.300	3,780,000	—	—	(3,780,000)	—	HK$0.255	—
		22 February 2008 to 22 February 2009	22 February 2009 to 21 February 2011	HK$0.300	3,780,000	—	—	(3,780,000)	—	HK$0.255	—
		22 February 2008 to 22 February 2010	22 February 2010 to 21 February 2011	HK$0.300	3,780,000	—	—	(3,780,000)	—	HK$0.255	—
Director, senior management and staff of the Group	9 April 2010	Fully vested on 9 April 2010	9 April 2010 to 8 April 2012	HK$0.390	60,000,000	—	(53,780,000)	(20,000)	6,200,000	HK$0.340	HK$0.340–HK$0.690
Director, senior management and staff of the Group	31 August 2010	Fully vested on 31 August 2010	31 August 2010 to 30 August 2013	HK$0.360	155,520,000	—	(114,800,000)	(870,000)	39,850,000	HK$0.310	HK$0.410–HK$0.690
Consultant, senior management and staff of the Group	19 May 2011	Fully vested on 19 May 2011	19 May 2011 to 18 May 2013	HK$0.560	—	153,820,000	(15,700,000)	—	138,120,000	HK$0.430	HK$0.620–HK$0.630
					227,280,000	153,820,000	(184,280,000)	(12,400,000)	184,420,000		

Note:–

The Company received a consideration of HK$1.00 from each of the grantees of the GEM Share Option Schemes and New Share Option Scheme.

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 December 2011, the interests or short positions of the directors and chief executives or their associates of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the "SFO")) which (i) are required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("the Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules were as follows:–

	Interests in ordinary shares			Total interests in ordinary shares	Total interests in underlying shares (note 2)	Aggregate interests	% of the Company's issued share capital
Name of directors	Personal interests	Family interests	Corporate interests				
Executive Directors:							
Mr. Lau Yeung Sang (notes 1 and 2)	—	—	269,320,000	269,320,000	1,500,000	270,820,000	15.91%
Mr. Liu Ruisheng (note 2)	—	—	—	—	15,000,000	15,000,000	0.88%
Madam Luan Yumin (note 2)	—	—	—	—	200,000	200,000	0.01%
Madam Ren Lili	—	—	—	—	—	—	—
Mr. Chang Hung Lun	—	—	—	—	—	—	—
Chief Executive Officer:							
Mr. Lau Sik Suen	230,600,000	—	—	230,600,000	—	230,600,000	13.54%
Non-executive Director:							
Mr. Chow Cheuk Lap (note 3)	—	—	67,540,000	67,540,000	—	67,540,000	3.97%
Independent Non-executive Directors:							
Mr. Meng Lihui (note 2)	—	—	—	—	600,000	600,000	0.04%
Mr. Fong Heung Sang	—	—	—	—	—	—	—
Dr. Cheung Wai Bun, Charles, *J.P.*	—	—	—	—	—	—	—

Notes:–

1. The corporate interests of Mr. Lau Yeung Sang in the ordinary shares of the Company are held by World One Investments Limited ("World One"). The entire issued share capital of World One is wholly and beneficially owned by Mr. Lau Yeung Sang. Mr. Lau Yeung Sang is therefore deemed to be interested in these ordinary shares.

2. The interests of Mr. Lau Yeung Sang, Mr. Liu Ruisheng, Madam Luan Yumin and Mr. Meng Lihui in underlying shares of the Company represent the interests in share options granted to them under the share option schemes of the Company.

   Details of the interests in the share options of the Company are separately disclosed in the section headed "Share Options".

3. Total interests of Mr. Chow Cheuk Lap in issued ordinary shares of the Company include 67,540,000 shares held by Top Nation International Limited ("Top Nation"). Mr. Chow owns 50% beneficial interests in Top Nation and he is deemed to be interested in these ordinary shares held by Top Nation.

4. There were no debt securities nor debentures issued by the Group at any time during the year ended 31 December 2011.

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

Save as disclosed above, so far as the directors are aware at 31 December 2011, none of the directors or chief executives or their associates of the Company had 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) which (i) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the Model Code.

The directors confirmed that at 31 December 2011 and for the year ended 31 December 2011:–

(i) the Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings according to the Model Code; and

(ii) all the directors complied with the required standard of dealings and the Company's code of conduct regarding directors' securities transactions.

PERSONS WHO HAVE AN INTEREST OR A SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDING

So far as is known to any director or chief executive of the Company, at 31 December 2011, persons who have an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Company were as follows:–

(a) Long positions in the shares of the Company

Name	Type of interests	Number of shares	Approximate percentage of interests
World One Investments Limited (note 1)	Beneficial owner	269,320,000	15.82%
Mr. Lau Sik Suen (note 2)	Beneficial owner	230,600,000	13.54%
Ever City Industrial Limited (note 3)	Beneficial owner	106,000,000	6.23%

Notes:–

(1) World One Investments Limited is wholly and beneficially owned by Mr. Lau Yeung Sang.

(2) Lau Sik Suen is the son of Mr. Lau Yeung Sang. He is also the nephew of Mr. Liu Ruisheng.

(3) Ever City Industrial Limited is equally and beneficially owned by Mr. Choi Hung Fai and Mr. Zhou Hang.

PERSONS WHO HAVE AN INTEREST OR A SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDING *(continued)*

(b) Long positions in underlying shares of equity derivatives of the Company

So far as the directors are aware, save as disclosed herein, no persons have long positions in underlying shares of equity derivatives of the Company.

(c) Short positions in the shares and underlying shares of equity derivatives of the Company

So far as the directors are aware, save as disclosed herein, no persons have short positions in the shares or underlying shares of equity derivatives of the Company.

MANAGEMENT SHAREHOLDERS' INTERESTS

Save as disclosed under the sections headed "Directors' and chief executives' interests or short positions in shares, underlying shares and debentures" and "Persons who have an interest or a short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholding" above, at 31 December 2011, no other person was individually and/or collectively entitled to exercise or control the exercise of 5% or more of the voting power at general meeting of the Company and was able, as a practical matter, to direct or influence the management of the Company.

COMPETITION AND CONFLICT OF INTERESTS

During the year, none of the directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 13% of the total sales for the year and sales to the largest customer included therein amounted to approximately 5%. Purchases from the Group's five largest suppliers accounted for approximately 92% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 60%.

To the best knowledge of the directors, neither the directors, their associates, nor any shareholders, who owned more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers or suppliers during the year.

Directors' Report

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, the Company repurchased its own shares on the Stock Exchange as follows:–

Month/year	Number of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate price paid
		HK$	HK$	HK$'000
January 2011	17,930,000	0.280	0.260	4,922
November 2011	5,850,000	0.435	0.400	2,375
December 2011	3,890,000	0.475	0.435	1,772

The Company made repurchases with a view to enhancing shareholder value in the long term.

During the year ended 31 December 2011, a total of 27,670,000 shares were repurchased at an aggregate price paid of HK$9,069,000.

The 25,920,000 repurchased shares were cancelled and, accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to Section 37(4) of the Companies Law (2004 Revision) of the Cayman Islands, an amount equivalent to the par value of the shares cancelled of HK$259,000 was transferred from retained profits to the capital redemption reserve. The premium paid on the repurchase of the shares of HK$8,000,000 was charged to the share premium account. The remaining 1,750,000 shares with an aggregate price paid of HK$810,000 were cancelled on 17 February 2012.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2011.

PRE-EMPTIVE RIGHTS

There are no provisions for the pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company, the Company has maintained the prescribed public float under the Listing Rules up to the date of this annual report.

CORPORATE GOVERNANCE REPORT

Details of the Group's corporate governance practices can be found in the Corporate Governance Report contained on pages 17 to 21 to the Annual Report.

Directors' Report

AUDIT COMMITTEE

The Company has an audit committee for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls.

AUDITOR

A resolution to re-appoint the retiring auditor, Messrs. PKF, is to be proposed at the forthcoming general meeting.

On behalf of the Board

Lau Yeung Sang
Chairman
Hong Kong, 16 March 2012

Independent Auditor's Report

PKF

Accountants &
business advisers

大信梁學濂(香港)會計師事務所

26/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

香港
銅鑼灣
威非路道18號
萬國寶通中心26樓

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UNIVERSAL TECHNOLOGIES HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Universal Technologies Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 103, which comprise the consolidated and Company's statements of financial position at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 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, 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.

Independent Auditor's Report

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 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.

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 at 31 December 2011 and of the profit and cash flows of the Group 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.

PKF
Certified Public Accountants
Hong Kong, 16 March 2012

Consolidated Income Statement

For the year ended 31 December 2011

	Note	**2011 HK$'000**	2010 HK$'000
Turnover	4	**240,339**	122,952
Cost of sales/services rendered		**(33,755)**	(11,540)
Gross profit		**206,584**	111,412
Other revenue	4	**7,171**	4,112
Other income	5	**2,801**	1,428
General and administrative expenses		**(149,170)**	(91,221)
Profit from operations		**67,386**	25,731
Gain on bargain purchase	33	**3,710**	—
Increase in fair value of investment properties	16	**2,105**	46,536
Loss on disposal of subsidiaries		**—**	(1,377)
Finance costs		**(9,618)**	(2,743)
Profit before income tax	6	**63,583**	68,147
Income tax expense	8	**(1,888)**	(15,169)
Profit for the year		**61,695**	52,978
Attributable to:			
Shareholders of the Company	10	**58,145**	53,294
Non-controlling interests		**3,550**	(316)
Profit for the year		**61,695**	52,978
Earnings per share (in cents)			
Basic	12	**3.59**	3.46
Diluted	12	**3.57**	3.46

Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 11.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	2011 **HK$'000**	2010 HK$'000
Profit for the year	**61,695**	52,978
Other comprehensive income:		
Exchange differences arising on translation of financial statements of subsidiaries established in the People's Republic of China	**8,190**	6,913
Other comprehensive income for the year, net of tax	**8,190**	6,913
Total comprehensive income for the year	**69,885**	59,891
Total comprehensive income attributable to:		
Shareholders of the Company	**65,625**	60,116
Non-controlling interests	**4,260**	(225)
	69,885	59,891

Consolidated Statement of Financial Position

At 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14(a)	**58,717**	54,260
Prepaid land lease premium	15	**43,056**	39,190
Investment properties	16	**120,730**	114,600
Intangible assets	17	**15,395**	11,668
Goodwill	18	**79,870**	79,870
Deposit paid for an investment		**—**	3,892
Other receivables	22	**600**	—
		318,368	303,480
CURRENT ASSETS			
Inventories	20	**27,373**	16,803
Debtors	21	**119,277**	224,760
Trade deposits		**—**	1,800
Deposits, prepayments and other receivables	22	**169,679**	39,043
Financial assets at fair value through profit or loss	23	**14,571**	10,985
Prepaid land lease premium	15	**1,253**	1,068
Pledged time deposits	24	**114,736**	—
Cash and bank balances	24	**365,337**	267,215
		812,226	561,674
DEDUCT:			
CURRENT LIABILITIES			
Bank loans	25	**217,765**	32,409
Trade payable	26	**75**	24,846
Payable to merchants	27	**328,650**	339,632
Deposits received, sundry creditors and accruals	28	**129,018**	84,489
Tax payable		**1,243**	3,538
		676,751	484,914
NET CURRENT ASSETS		**135,475**	76,760

Consolidated Statement of Financial Position

At 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**453,843**	380,240
DEDUCT:			
NON-CURRENT LIABILITIES			
Bank loans	25	—	18,282
Deferred tax liability	9(a)	**13,122**	12,061
		13,122	30,343
NET ASSETS		**440,721**	349,897
REPRESENTING:			
CAPITAL AND RESERVES			
Share capital	30(a)	**17,025**	15,441
Reserves	32(a)	**400,081**	312,271
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		**417,106**	327,712
NON-CONTROLLING INTERESTS		**23,615**	22,185
TOTAL EQUITY		**440,721**	349,897

APPROVED AND AUTHORISED FOR ISSUE BY THE BOARD OF DIRECTORS ON 16 MARCH 2012

LAU YEUNG SANG
DIRECTOR

LUAN YUMIN
DIRECTOR

Statement of Financial Position

At 31 December 2011

	Note	**2011** **HK$'000**	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14(b)	**1,974**	735
Interests in subsidiaries	19	**538,686**	294,130
		540,660	294,865
CURRENT ASSETS			
Deposits, prepayments and other receivables	22	**24,773**	759
Cash and bank balances		**1,860**	1,156
		26,633	1,915
DEDUCT:			
CURRENT LIABILITIES			
Bank loan	25	**217,765**	—
Accruals	28	**872**	751
Amounts due to subsidiaries	29	**10,375**	12,931
		229,012	13,682
NET CURRENT LIABILITIES		**(202,379)**	(11,767)
NET ASSETS		**338,281**	283,098
REPRESENTING:			
CAPITAL AND RESERVES			
Share capital	30(a)	**17,025**	15,441
Reserves	32(b)	**321,256**	267,657
TOTAL EQUITY		**338,281**	283,098

APPROVED AND AUTHORISED FOR ISSUE BY THE BOARD OF DIRECTORS ON 16 MARCH 2012

LAU YEUNG SANG
DIRECTOR

LUAN YUMIN
DIRECTOR

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		**63,583**	68,147
Adjustments for:			
Interest on bank deposits		**(5,446)**	(1,188)
Other interest income		**(1,101)**	—
Interest expenses		**4,352**	1,859
Dividend income from investments		**(264)**	(133)
Bad debts written off		**—**	555
Depreciation		**9,415**	4,853
Amortisation of prepaid land lease premium		**1,160**	1,041
Amortisation of intangible assets		**392**	157
Gain on disposal of property, plant and equipment		**(353)**	(614)
Increase in fair value of investment properties		**(2,105)**	(46,536)
Loss on change in fair value of financial assets		**4,402**	830
Loss on disposal of subsidiaries		**—**	1,377
Gain on disposal of financial assets		**(471)**	(734)
Write-off of intangible assets		**3,978**	—
Equity settled share-based payment expenses		**4,944**	8,274
Gain on bargain purchase		**(3,710)**	—
Operating profit before working capital changes		**78,776**	37,888
Increase in inventories		**(10,510)**	(795)
Decrease/(increase) in debtors		**109,199**	(211,222)
Decrease in trade deposits		**1,800**	3,173
Increase in deposits, prepayments and other receivables		**(131,169)**	(20,462)
(Decrease)/increase in trade payable		**(24,771)**	24,845
(Decrease)/increase in payable to merchants		**(10,982)**	264,419
Increase in deposits received, sundry creditors and accruals		**44,328**	68,038
Decrease in amount due to a director		**—**	(1)
Cash generated from operations		**56,671**	165,883
Bank interest received		**5,446**	1,188
Interest paid		**(4,352)**	(1,859)
Tax paid		**(3,628)**	(2)
NET CASH FROM OPERATING ACTIVITIES		**54,137**	165,210

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend received from investments		**264**	133
Other interest income received		**1,101**	—
Payments to acquire property, plant and equipment		**(16,557)**	(35,261)
Proceeds from disposal of property, plant and equipment		**5,764**	2,331
Payments to acquire prepaid land lease premium		**(3,762)**	—
Payments to acquire intangible assets		**(7,819)**	(10,003)
Refund of deposit paid for an investment		**3,892**	—
Deposit paid for an investment		**—**	(3,892)
Payments to acquire financial assets at fair value through profit or loss		**(113,950)**	(67,260)
Proceeds from disposal of financial assets at fair value through profit or loss		**106,485**	57,287
Net cash inflow arising on acquisition of a subsidiary	33	**47**	—
Payments to acquire additional interests in a subsidiary	34(b)	**(2,937)**	(457)
Proceeds from disposal of partial interests in a subsidiary	34(a)	**244**	18,338
NET CASH USED IN INVESTING ACTIVITIES		**(27,228)**	(38,784)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		**(43,337)**	(6,016)
Proceeds from shares issued under share option scheme		**71,094**	17,046
Payments for repurchase of own shares		**(9,069)**	(4,466)
Decrease in amounts due from related companies		**—**	13
New bank loans raised		**217,765**	38,381
Repayment of bank loans		**(50,691)**	(32,625)
Increase in pledged time deposits		**(114,736)**	—
NET CASH FROM FINANCING ACTIVITIES		**71,026**	12,333
NET INCREASE IN CASH AND CASH EQUIVALENTS		**97,935**	138,759
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET		**187**	(268)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**267,215**	128,724
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**365,337**	267,215
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**365,337**	267,215

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to shareholders of the Company													
	Share capital	Share premium	Capital redemption reserve	Treasury shares reserve	Capital reserve	Special reserve	Exchange reserve	Share options reserve	Statutory reserve	Other reserve	Retained profits	Total	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1.1.2010	15,039	205,295	—	—	1,093	10,754	(9,106)	4,170	7,133	—	18,378	252,756	2,848	255,604
Equity settled share-based transactions	—	—	—	—	—	—	—	8,274	—	—	—	8,274	—	8,274
Transferred to retained profits	—	—	—	—	—	—	—	(226)	—	—	226	—	—	—
Shares issued under share option scheme	568	20,153	—	—	—	—	—	(3,675)	—	—	—	17,046	—	17,046
Dividend paid	—	—	—	—	—	—	—	—	—	—	(6,016)	(6,016)	—	(6,016)
Repurchased of own shares	(166)	(4,300)	166	—	—	—	—	—	—	—	(166)	(4,466)	—	(4,466)
Change in ownership interests in subsidiaries that do not result in a loss of control	—	—	—	—	—	—	—	—	—	—	2	2	17,879	17,881
Disposal of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	1,683	1,683
Total comprehensive income for the year	—	—	—	—	—	—	6,822	—	—	—	53,294	60,116	(225)	59,891
Transferred to statutory reserve	—	—	—	—	—	—	—	—	2,384	—	(2,384)	—	—	—
At 31.12.2010 and 1.1.2011	15,441	221,148	166	—	1,093	10,754	(2,284)	8,543	9,517	—	63,334	327,712	22,185	349,897
Equity settled share-based transactions	—	—	—	—	—	—	—	4,944	—	—	—	4,944	—	4,944
Transferred to retained profits	—	—	—	—	—	—	—	(769)	—	—	769	—	—	—
Shares issued under share option scheme	1,843	75,778	—	—	—	—	—	(6,527)	—	—	—	71,094	—	71,094
Dividend paid	—	—	—	—	—	—	—	—	—	—	(43,337)	(43,337)	—	(43,337)
Repurchased of own shares	(259)	(8,000)	259	(810)	—	—	—	—	—	—	(259)	(9,069)	—	(9,069)
Change in ownership interests in a subsidiary that do not result in a loss of control	—	—	—	—	—	—	—	—	—	137	—	137	(2,830)	(2,693)
Total comprehensive income for the year	—	—	—	—	—	—	7,480	—	—	—	58,145	65,625	4,260	69,885
Transferred to statutory reserve	—	—	—	—	—	—	—	—	236	—	(236)	—	—	—
At 31.12.2011	**17,025**	**288,926**	**425**	**(810)**	**1,093**	**10,754**	**5,196**	**6,191**	**9,753**	**137**	**78,416**	**417,106**	**23,615**	**440,721**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 27 March 2001 as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands. The address of the registered office is Units 601–608, 6/F, Harbour View Two, Phase Two, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong.

Pursuant to the reorganisation to rationalise the structure of the Company and its subsidiaries in the preparation for the listing of the Company's shares on The Growth Enterprise Market ("GEM") operated by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in October 2001, the Company became the holding company of the companies now comprising the Group. The shares of the Company were listed on GEM on 26 October 2001.

On 22 June 2010, the listing of shares of the Company was transferred to the Main Board of the Stock Exchange.

These consolidated financial statements are presented in thousands of units of Hong Kong dollar (HK$'000), unless otherwise stated.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below:–

(a) Initial application of Hong Kong Financial Reporting Standards

In the current year, the Group initially applied the following Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (hereinafter collectively referred to as "Hong Kong Financial Reporting Standards").

HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
Improvements to HKFRSs 2010	

The initial application of these Hong Kong Financial Reporting Standards does not necessitate material changes in the Group's accounting policies or retrospective adjustments of the comparatives presented.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Measurement basis

The consolidated financial statements are prepared under the historical cost basis as modified by revaluation of investment properties and financial assets at fair value through profit or loss as explained in the accounting policies set out below.

(c) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2011. The results of subsidiaries acquired or disposed of during the year are dealt with in the consolidated income statement from the dates of acquisition or to the dates of disposal respectively. All significant intra-group transactions and balances have been eliminated on consolidation.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in the consolidated income statement. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less provision for impairment losses. Income from subsidiaries is recognised in the Company's financial statements when the shareholder's right to receive payment is established.

(e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the key management that makes strategic decisions.

(f) Foreign currency translation

The consolidated financial statements are presented in Hong Kong dollar, which is also the Group's functional currency. The functional currency of the Group is the currency of the primary economic environment in which the Group operates.

Foreign currency transactions of the Group are initially recorded in the functional currency using the exchange rates prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at the end of the reporting period and the exchange differences arising are recognised in profit or loss. Non-monetary items carried at fair value denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined and the exchange differences arising are recognised in profit or loss, except for the exchange component of a gain or loss that is recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Such translation differences are reclassified from equity to profit or loss when in which the foreign operation is disposed of.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less aggregate depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the plant and equipment have been put into operation, such as repairs and maintenance, is charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the plant and equipment, the expenditure is capitalised as an additional cost of the asset.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is calculated to write off the cost of property, plant and equipment less any estimated residual value, on a straight-line basis over their estimated useful lives as follows:–

Leasehold land	– unexpired term of the lease
Leasehold buildings	– 40 years–47 years
Leasehold improvement	– shorter of 5 years and the unexpired term of the lease
Plant and machinery	– 5 years
Office equipment, computer and other equipment	– 5 years
Furniture and fixtures	– 5 years
Motor vehicles	– 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gain or loss arising from the retirement or disposal of a plant and equipment is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss on the date of retirement or disposal.

(h) Lease

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

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the periods of the respective leases.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Investment property

Property that is held for long-term rental yields or for capital appreciation or both, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases is classified and accounted for as investment property when the rest definition of investment property is met. The operating lease is accounted for as if it was a finance lease.

Investment property is measured initially at cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the consolidated financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in profit or loss during the financial period in which they are incurred.

(j) Intangible assets

(i) Research and development expenditure

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Intangible assets *(continued)*

(i) Research and development expenditure (continued)

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all the following have been demonstrated:–

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

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

(ii) Computer software and technology

Computer software and technology is recognised when the project under development expenditure was completed. Amortisation is calculated using the straight-line basis over their estimated economic lives of ten years.

(iii) Domain name

Domain name is recognised and measured at fair value at the acquisition date. Domain name has an indefinite useful life and is carried at cost less accumulated impairment losses.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(l) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(m) Investments

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

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

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Investments *(continued)*

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the consolidated statement of financial position.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the year, the Group did not hold any investments in this category.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting period.

Purchases and sales of investments are recognised on trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in profit or loss in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in other comprehensive income and accumulated separately in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in profit or loss as gains or losses from investment securities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Investments *(continued)*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

(n) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis. Net realisable value represents the estimated selling price less direct selling costs.

(o) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in profit or loss.

(p) Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(q) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(s) Income tax

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

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

Deferred tax is the tax expected to be payable or recoverable when the Group recovers or settles the carrying amounts of assets or liabilities recognised in the consolidated financial statements.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or asset is realised.

Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or directly to equity, in which case the deferred tax is also dealt with in other comprehensive income or directly in equity respectively.

(t) Employee benefits

Salaries, annual bonuses, annual leave entitlements and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group.

Obligations for contributions to retirement plans, including contributions payable under the Hong Kong Mandatory Provident Fund Schemes Ordinance and the People's Republic of China (the "PRC") central pension scheme, are recognised as an expense in profit or loss as incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Employee benefits *(continued)*

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

The Group operates an equity settled share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in profit or loss, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(u) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(v) Recognition of revenue

Revenue from the provision of enterprise solutions services is recognised on a straight-line basis over the period in which the work is performed.

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of goods have been transferred to the buyer.

Handling income from online payment platform transaction is recognised when the transaction is authorised and completed.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Recognition of revenue *(continued)*

Annual fee income of online payment platform services is recognised on a straight-line basis over the years of the services.

Set up fee income of online payment platform services is recognised at the time when the services are rendered.

Interest income is recognised on a time proportion basis using the effective interest method.

Dividend income is recognised at the time when the shareholders' right to receive payment has been established.

Rental income receivable under operating lease is recognised on a straight-line basis over the terms of the relevant lease.

Building management service income is recognised over the relevant period in which the services are rendered.

Franchise fee income is recognised at the time when the initial services are rendered.

(w) Related parties

(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 the Group's parent.

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

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Related parties *(continued)*

(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.

(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.

(x) Hong Kong Financial Reporting Standards in issue but not yet effective

The following Hong Kong Financial Reporting Standards in issue at 31 December 2011 have not been applied in the preparation of the Group's consolidated financial statements for the year then ended since they were not yet effective for the annual period beginning on 1 January 2011:–

HKAS 19 (2011)	Employee Benefits
HKAS 27	Separate Financial Statements
HKAS 28	Investments in Associates and Joint Ventures
HKFRS 9	Financial Instruments
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 7 (2010)	Disclosures – Transfers of Financial Assets
Amendments to HKFRS 7 (2011)	Disclosures – Offsetting Financial Assets and Financial Liabilities

The Group is required to initially apply these Hong Kong Financial Reporting Standards in its annual consolidated financial statements beginning on 1 January 2013, except that the Group is required to initially apply amendments to HKAS 12 and amendments to HKFRS 7 (2010) in its annual consolidated financial statements beginning on 1 January 2012, amendments to HKAS 32 in its annual consolidated financial statements beginning on 1 January 2014 and HKFRS 9 in its annual consolidated financial statements beginning on 1 January 2015.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Key sources of estimation uncertainty

In the process of applying the Group's accounting policies, which are described in note 2 to the consolidated financial statements, management had made the following estimates and assumptions that have the most significant effect on the amounts recognised in the consolidated financial statements:–

(i) Inventories

Note 2 to the consolidated financial statements describes that inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of selling expenses.

The Group does not have a general provisioning policy on inventory based on ageing given the nature of inventories that are not subject to frequent wear and tear and frequent technological changes. However, operational procedures have been in place to monitor this risk as majority of working capital is devoted to inventories. The sales and marketing managers review the inventory ageing listing on a periodical basis for those aged inventories. This involves comparison of carrying value of the aged inventory items with the respective net realisable value. The purpose is to ascertain whether allowance is required to be made in the consolidated financial statements for any obsolete and slow-moving items. In addition, physical count on all inventories are carried out on a periodical basis in order to determine whether allowance need to be made in respect of any obsolete and defective inventories identified. In this regards, the directors of the Group are satisfied that this risk is minimal and adequate provision for obsolete and slow-moving inventories has been made in the consolidated financial statements.

(ii) Depreciation

The management determines the estimated useful lives and related depreciation of the property, plant and equipment as set out in note 2 to the consolidated financial statements. The estimate is based on projected lifecycles of the assets. Management will increase the depreciation expense where useful lives are less than previously estimated lives, or it will write off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using straight-line method.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(a) Key sources of estimation uncertainty *(continued)*

(iii) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the end of the reporting period was HK$79,870,000. Details of the impairment loss calculation are provided in note 18 to the consolidated financial statements.

(iv) Estimation of fair value of investment properties

Investment properties were revalued at 31 December 2011 based on the appraised market value by an independent valuer. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimate, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period. The carrying amount of investment properties at 31 December 2011 was HK$120,730,000 (2010: HK$114,600,000).

(v) PRC enterprise income tax

The Group is subject to income taxes in Mainland China. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgment based on currently enacted tax laws, regulations and other related policies are required in determining the provision of income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will have impact on the income tax and tax provisions in the period in which the differences realise.

(b) Critical judgements

In the process of applying the Group's accounting policies, judgements that can significantly affect the amounts recognised in the consolidated financial statements are made in determining:–

(i) whether the significant risks and rewards of ownership of goods have been transferred to the buyer;

(ii) whether there is an indication of impairment of assets;

(iii) the expected manner of recovery of the carrying amount of assets;

(iv) whether the discount rates used to calculate the recoverable amount of goodwill and other assets are appropriate for the purpose of impairment review; and

(v) the valuation method used to calculate the fair value of share options at the measurement date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

4. TURNOVER AND OTHER REVENUE

The Group is principally engaged in investment holding, provision of payment solutions and related services, timber trading and furniture manufacturing, system integration and technical platform services, property investment and building management. Turnover for the year represents revenue recognised from the provision of payment handling income net of business tax, the net invoiced value of goods sold, system integration and the related consultancy services at net invoice amount and rental and building management service income. An analysis of the Group's turnover and other revenue is set out below:–

	2011	2010
	HK$'000	HK$'000
Payment solutions and related services income	**206,283**	97,950
Timber trading and furniture manufacturing	**29,878**	11,749
System integration and technical platform services	**—**	12,608
Rental and building management service income	**4,178**	645
Turnover	**240,339**	122,952
Interest on bank deposits	**5,446**	1,188
Other interest income	**1,101**	—
Government subsidy	**—**	562
Franchise fee income	**360**	2,229
Dividend income	**264**	133
Other revenue	**7,171**	4,112
Total revenue	**247,510**	127,064

5. OTHER INCOME

	2011	2010
	HK$'000	HK$'000
Gain on disposal of financial assets	**471**	734
Recovery of bad debts	**118**	—
Gain on disposal of property, plant and equipment	**353**	614
Exchange gain	**1,092**	2
Others	**767**	78
	2,801	1,428

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

6. PROFIT BEFORE INCOME TAX

	2011 HK$'000	2010 HK$'000
Profit before income tax is arrived at after charging/ (crediting):–		
Auditor's remuneration	**565**	460
Cost of inventories	**24,184**	9,087
Staff costs (including directors' remuneration) — *note 7*		
— Salaries and other benefits	**54,563**	25,252
— Pension scheme contributions	**5,660**	4,202
— Equity settled share-based payment expenses	**4,526**	8,274
	64,749	37,728
Depreciation	**9,415**	4,853
Bad debts written off	**—**	555
Amortisation of intangible assets	**392**	157
Amortisation of prepaid land lease premium	**1,160**	1,041
Loss on disposal of subsidiaries	**—**	1,377
Loss on change in fair value of financial assets	**4,402**	830
Minimum operating lease rentals	**3,637**	2,300
Interest on bank loans wholly repayable within five years	**4,352**	1,859
Sale proceeds of property, plant and equipment	**(5,764)**	(2,331)
Less: Carrying amounts of property, plant and equipment	**5,411**	1,717
Gain on disposal of property, plant and equipment	**(353)**	(614)
Gain on disposal of financial assets	**(471)**	(734)
Rental income less outgoings	**(3,159)**	(609)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

7. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS

(a) Directors

The remuneration of each director for the year ended 31 December 2011 and 31 December 2010 are set out below:–

	Year ended 31 December 2011					
Name of director	**Fees HK$'000**	**Salaries, allowances and other benefits in kind HK$'000 (note i)**	**Pension scheme contributions HK$'000**	**Sub-total HK$'000**	**Share based payment HK$'000**	**Total HK$'000**
Mr. Lau Yeung Sang	**108**	**—**	**5**	**113**	**—**	**113**
Mr. Liu Ruisheng	**54**	**—**	**—**	**54**	**—**	**54**
Madam Luan Yumin	**54**	**591**	**82**	**727**	**—**	**727**
Madam Ren Lili (note vi)	**60**	**388**	**84**	**532**	**—**	**532**
Mr. Chang Hung Lun (note ii)	**50**	**432**	**12**	**494**	**—**	**494**
Mr. Meng Lihui	**75**	**—**	**—**	**75**	**—**	**75**
Mr. Wan Xieqiu (note iii)	**9**	**—**	**—**	**9**	**—**	**9**
Mr. Fong Heung Sang	**91**	**—**	**—**	**91**	**—**	**91**
Mr. Liu Ji (note iv)	**41**	**—**	**—**	**41**	**—**	**41**
Mr. Chow Cheuk Lap	**58**	**—**	**—**	**58**	**—**	**58**
Dr. Cheung Wai Bun, Charles, *J.P.* (note v)	**77**	**—**	**—**	**77**	**—**	**77**
	677	**1,411**	**183**	**2,271**	**—**	**2,271**

	Year ended 31 December 2010					
Name of director	Fees HK$'000	Salaries, allowances and other benefits in kind HK$'000 (note i)	Pension scheme contributions HK$'000	Sub-total HK$'000	Share based payment HK$'000	Total HK$'000
Mr. Lau Yeung Sang	108	—	5	113	60	173
Mr. Liu Ruisheng	54	—	—	54	700	754
Madam Luan Yumin	54	424	63	541	668	1,209
Madam Ren Lili (note vi)	60	326	65	451	585	1,036
Mr. Meng Lihui	54	—	—	54	—	54
Mr. Wan Xieqiu (note iii)	54	—	—	54	16	70
Mr. Fong Heung Sang	72	—	—	72	—	72
Mr. Liu Ji (note iv)	60	—	—	60	40	100
Mr. Chow Cheuk Lap	36	—	—	36	—	36
	552	750	133	1,435	2,069	3,504

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

7. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS *(continued)*

(a) Directors *(continued)*

Notes:–

i. Salaries, allowances and other benefits in kind included basic salaries, housing and other allowances, benefits in kind and employee share option benefits. The employee share option benefits represent fair value at the date the share options were granted and accepted under the scheme amortised to profit or loss during the period disregarding whether the options have been exercised or not.

ii. Appointed on 23 February 2011.

iii. Resigned on 23 February 2011.

iv. Resigned on 6 September 2011.

v. Appointed on 6 September 2011.

vi. Resigned on 12 March 2012.

No directors waived any emolument during the year.

(b) Five highest paid individuals

Among the five highest paid individuals of the Group, no (2010: three) director of the Company and the details of their remuneration have already been disclosed above.

The emoluments and designated band of the remaining five (2010: two) non-directors, highest paid employees were as follows:–

	2011 HK$'000	2010 HK$'000
Salaries, allowances and other benefits in kind	**2,260**	684
Pension scheme contributions	**158**	40
Equity settled share-based payment expenses	**524**	1,097
	2,942	1,821

The number of employees whose emoluments fell within the following bands was:–

	2011	2010
HK$		
Nil to 1,000,000	**5**	1
1,000,001 to 1,500,000	**—**	1
	5	2

During the year, 16,300,000 share options were granted to the above five non-directors, highest paid employees in respect of their services to the Group.

During the year, no emoluments were paid by the Group to the five highest paid employees, including the directors of the Company, as an inducement to join, or upon joining the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

8. INCOME TAX EXPENSE

(a) Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits for the year.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "New CIT Law"). The New CIT Law reduces the corporate income tax rate from 27% or 33% to 25% with effect from 1 January 2008. The Company's subsidiaries operating in the PRC are subject to the tax rate at 25% (2010: 25%).

During the year, certain subsidiaries in the PRC are entitled to preferential tax treatments. Certain subsidiaries are entitled to tax concessions whereby the profit for the first two financial years beginning with the first profit-making year is exempted from income tax in the PRC and the profit for each of the subsequent three years is taxed at 50% of the applicable tax rate ("Five-year tax holiday"). Other subsidiaries in the PRC did not generate any assessable profits subject to Mainland China corporate income tax.

(b) The income tax expense represents the sum of the current tax and deferred tax and is made up as follows:–

	2011 **HK$'000**	2010 HK$'000
Current tax:		
Current year	**1,102**	3,438
Under-provision in respect of previous year	**155**	10
	1,257	3,448
Deferred taxation:		
Current year – note 9(a)	**631**	11,721
	1,888	15,169

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

8. INCOME TAX EXPENSE *(continued)*

(c) The income tax expense for the year can be reconciled to the profit per consolidated income statement as follows:–

	Hong Kong		PRC		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Profit before income tax	**2,412**	1,740	**61,171**	66,407	**63,583**	68,147
Applicable tax rate (%)	**16.5**	16.5	**25**	25	**N/A**	N/A
Tax on profit before income tax, calculated at the applicable tax rate	**398**	287	**15,293**	16,602	**15,691**	16,889
Tax effect of non-deductible expenses in determining taxable profit	**1,207**	386	**767**	3,107	**1,974**	3,493
Tax effect of non-taxable revenue in determining taxable profit	**(2,214)**	(85)	**(43)**	(44)	**(2,257)**	(129)
Tax effect of unrecognised accelerated/(decelerated) depreciation allowances	**(184)**	(58)	**539**	—	**355**	(58)
Tax effect of unrecognised tax losses	**2,248**	471	**1,430**	149	**3,678**	620
Tax effect of utilisation of tax losses	**(712)**	(1,001)	**(249)**	(1,126)	**(961)**	(2,127)
Tax effect on tax free concession	**—**	—	**(16,747)**	(3,455)	**(16,747)**	(3,455)
Under-provision in respect of previous year	**—**	10	**155**	—	**155**	10
Over-provision of deferred tax in previous years	**—**	—	**—**	(74)	**—**	(74)
Income tax expense	**743**	10	**1,145**	15,159	**1,888**	15,169

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

9. DEFERRED TAXATION

(a) The following is deferred tax asset/(liability) recognised by the Group and movements hereon during the current year and prior year:–

	The Group		
	Unutilised tax losses HK$'000	Accelerated depreciation allowances of property, plant & equipment and revaluation of investment properties HK$'000	Total HK$'000
At 1.1.2010	—	—	—
(Charged)/credited to consolidated income statement for the year	124	(11,845)	(11,721)
Exchange adjustments	3	(343)	(340)
At 31.12.2010 and 1.1.2011	127	(12,188)	(12,061)
Charged to consolidated income statement for the year – note 8(b)	(130)	(501)	(631)
Exchange adjustments	3	(433)	(430)
At 31.12.2011	**—**	**(13,122)**	**(13,122)**

(b) The components of unrecognised deductible/(taxable) temporary differences of the Group and the Company are as follows:–

	The Group		The Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Deductible temporary differences – note (i)				
Decelerated tax allowances	**1,866**	157	**—**	—
Unutilised tax losses	**42,861**	28,785	**18,180**	17,348
	44,727	28,942	**18,180**	17,348
Taxable temporary difference – note (ii)				
Accelerated tax allowances	**(202)**	(639)	**(181)**	(402)
	44,525	28,303	**17,999**	16,946

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

9. DEFERRED TAXATION *(continued)*

(b) The components of unrecognised deductible/(taxable) temporary differences of the Group and the Company are as follows:– *(continued)*

Notes :–

(i) The Group

Deductible temporary differences have not been recognised in these consolidated financial statements owing to the absence of objective evidence in respect of availability of sufficient taxable profits that are expected to arise to offset against the deductible temporary differences. Included in unrecognised tax losses are losses of HK$7,686,000 (2010: HK$2,918,000) that will expire within five years from the date of incurrence. Other losses can be carried forward indefinitely.

(ii) The Company

Deductible temporary difference has not been recognised in these consolidated financial statements owing to the absence of objective evidence in respect of the availability of sufficient taxable profits that are expected to arise to offset against the deductible temporary differences. All unutilised tax losses can be carried forward indefinitely.

(iii) The Group and the Company

Taxable temporary differences have not been recognised in these consolidated financial statements owing to its immateriality.

10. PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to shareholders of the Company includes a loss of HK$6,367,000 (2010: HK$2,492,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:–

	2011 **HK$'000**	2010 HK$'000
Amount of consolidated loss attributable to shareholders dealt with in the Company's financial statements	**(6,367)**	(2,492)
Interim dividend from a subsidiary attributable to the profits, approved and paid during the year	**37,108**	22,000
Company's profit for the year	**30,741**	19,508

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

11. DIVIDEND

(a) Dividend payable to shareholders of the Company attributable to the previous financial year, approved and paid during the year:–

	2011 **HK$'000**	2010 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK0.60 cent per share (2010: HK0.39 cent per share)	**9,229**	6,016

(b) Dividend payable to shareholders of the Company attributable to the year:–

	2011 **HK$'000**	2010 HK$'000
Interim dividend declared and paid of HK0.80 cent per share (2010: Nil)	**13,640**	—
Special dividend declared and paid of HK1.20 cent per share (2010: Nil)	**20,468**	—
Final dividend proposed after the end of the reporting period of HK1.00 cent per share (2010: HK0.60 cent per share)	**16,969**	9,265
	51,077	9,265

The final dividend proposed after the end of the reporting period has not been recognised as liabilities at the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

12. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the year is based on the following data:–

	2011 HK$'000	2010 HK$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**58,145**	53,294

	2011	2010
Number of shares		
Weighted average number of shares in issue for the purpose of calculation of basic earnings per share	**1,620,559,707**	1,540,635,844
Effect of dilutive potential ordinary shares:		
Share options	**8,700,471**	—
Weighted average number of shares in issue for the purpose of calculation of diluted earnings per share	**1,629,260,178**	1,540,635,844

For the year ended 31 December 2010, diluted earnings per share was equal to the basic earnings per share because the exercise price of the Group's share options was higher than the average market price of the Company's shares.

13. RETIREMENT BENEFIT COSTS

Since 1 December 2000, the Group had joined a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all eligible employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with rules of MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group's contribution to such scheme for the year ended 31 December 2011 amounted to HK$215,000 (2010: HK$174,000).

The Company's subsidiaries in the PRC have participated in a central pension scheme. Contributions are made by the subsidiaries to the scheme based on certain percentage of the applicable payroll costs. The Group has no obligation other than the above-mentioned contributions.

The Group's contribution to the state-sponsored retirement plan for the year ended 31 December 2011 amounted to HK$5,445,000 (2010: HK$4,028,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

14. PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Leasehold land	Properties held under medium-term lease	Plant and machinery	Leasehold improvement	Office equipment, computer and other equipment	Furniture and fixtures	Motor vehicles	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1.1.2010									
Cost	1,030	2,213	499	1,411	15,843	321	4,692	39,641	65,650
Aggregate depreciation	(60)	(123)	(95)	(697)	(11,975)	(208)	(2,648)	—	(15,806)
Net book value	970	2,090	404	714	3,868	113	2,044	39,641	49,844
For the year ended 31.12.2010									
Opening net book value	970	2,090	404	714	3,868	113	2,044	39,641	49,844
Exchange adjustments	—	660	20	358	955	1	98	300	2,392
Additions	3,342	1,050	238	9,084	4,210	24	2,785	14,528	35,261
Transfer	—	24,033	—	3,769	—	—	—	(54,469)	(26,667)
Disposals	(955)	(278)	—	(124)	—	(11)	(349)	—	(1,717)
Depreciation	(62)	(1,372)	(59)	(876)	(1,454)	(37)	(993)	—	(4,853)
Closing net book value	3,295	26,183	603	12,925	7,579	90	3,585	—	54,260
At 31.12.2010									
Cost	3,342	27,691	763	14,368	21,468	322	6,691	—	74,645
Aggregate depreciation	(47)	(1,508)	(160)	(1,443)	(13,889)	(232)	(3,106)	—	(20,385)
Net book value	3,295	26,183	603	12,925	7,579	90	3,585	—	54,260
For the year ended 31.12.2011									
Opening net book value	3,295	26,183	603	12,925	7,579	90	3,585	—	54,260
Exchange adjustments	—	767	34	465	1,317	—	122	—	2,705
Acquisition of a subsidiary — (note 33)	—	—	—	—	21	—	—	—	21
Additions	—	2,614	1,013	3,506	5,931	27	3,466	—	16,557
Transfer	—	(4,826)	—	4,826	—	—	—	—	—
Disposals	(3,244)	(1,018)	(22)	(481)	(9)	(44)	(593)	—	(5,411)
Depreciation	(51)	(1,102)	(128)	(4,117)	(3,064)	(34)	(919)	—	(9,415)
Closing net book value	—	22,618	1,500	17,124	11,775	39	5,661	—	58,717
At 31.12.2011									
Cost	**—**	**24,505**	**1,781**	**23,332**	**29,180**	**296**	**9,185**	**—**	**88,279**
Aggregate depreciation	**—**	**(1,887)**	**(281)**	**(6,208)**	**(17,405)**	**(257)**	**(3,524)**	**—**	**(29,562)**
Net book value	**—**	**22,618**	**1,500**	**17,124**	**11,775**	**39**	**5,661**	**—**	**58,717**

At 31 December 2011, leasehold land and properties held under medium-term lease with a net book value of HK$Nil (2010: HK$3,295,000) and HK$18,313,000 (2010: HK$26,183,000) respectively were pledged to a bank to secure a bank loan granted to the Company (note 25(e)).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

(b) The Company

	Leasehold improvement HK$'000	Office equipment, computer and other equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1.1.2010					
Cost	299	109	246	988	1,642
Aggregate depreciation	(280)	(64)	(136)	(735)	(1,215)
Net book value	19	45	110	253	427
For the year ended 31.12.2010					
Opening net book value	19	45	110	253	427
Additions	—	6	—	697	703
Disposals	—	—	—	(198)	(198)
Depreciation	(5)	(16)	(28)	(148)	(197)
Closing net book value	14	35	82	604	735
At 31.12.2010					
Cost	299	115	246	1,025	1,685
Aggregate depreciation	(285)	(80)	(164)	(421)	(950)
Net book value	14	35	82	604	735
For the year ended 31.12.2011					
Opening net book value	14	35	82	604	735
Additions	—	10	6	1,494	1,510
Depreciation	(5)	(14)	(28)	(224)	(271)
Closing net book value	9	31	60	1,874	1,974
At 31.12.2011					
Cost	**299**	**125**	**252**	**2,519**	**3,195**
Aggregate depreciation	**(290)**	**(94)**	**(192)**	**(645)**	**(1,221)**
Net book value	**9**	**31**	**60**	**1,874**	**1,974**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

15. PREPAID LAND LEASE PREMIUM

The Group's interests in land lease premium represents prepaid operating lease payments and its net book value is analysed as follows:–

	The Group	
	2011	2010
	HK$'000	HK$'000
Outside Hong Kong, held under medium-term lease	**44,309**	40,258
Less: Current portion	**(1,253)**	(1,068)
Non-current portion	**43,056**	39,190
Representing:		
Opening net book value	**40,258**	77,731
Exchange adjustments	**1,449**	1,729
Additions	**3,762**	—
Transfer to investment properties — note 16	**—**	(38,161)
Amortisation of prepaid land lease premium	**(1,160)**	(1,041)
Closing net book value	**44,309**	40,258

At 31 December 2011, prepaid land lease premium with a net book value of HK$44,309,000 (2010: HK$40,258,000) was pledged to a bank to secure a bank loan granted to the Company (note 25(e)).

16. INVESTMENT PROPERTIES — THE GROUP

	HK$'000
At 1.1.2010	—
Transfer from construction in progress — note 14	26,667
Transfer from prepaid land lease premium — note 15	38,161
Increase in fair value recognised in the consolidated income statement	46,536
Exchange adjustments	3,236
At 31.12.2010 and 1.1.2011	114,600
Increase in fair value recognised in the consolidated income statement	2,105
Exchange adjustments	4,025
At 31.12.2011	120,730

Notes:–

(a) The investment properties are situated in the PRC and held under medium-term lease.

(b) The fair value of the Group's investment properties at 31 December 2011 were valued by BMI Appraisals Limited, an independent valuer, on an open market value basis.

(c) The investment properties with carrying value of HK$120,730,000 (2010: HK$114,600,000) were pledged to a bank to secure a bank loan granted to the Company (note 25(e)).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

17. INTANGIBLE ASSETS – THE GROUP

	Development cost HK$'000	Computer software and technology HK$'000	Domain name HK$'000	Total HK$'000
At 1.1.2010				
Cost	1,556	—	—	1,556
Accumulated amortisation	—	—	—	—
Net book value	1,556	—	—	1,556
For the year ended 31.12.2010				
Opening net book value	1,556	—	—	1,556
Additions	7,321	—	2,682	10,003
Transfer	(1,568)	1,568	—	—
Amortisation	—	(157)	—	(157)
Exchange adjustments	225	41	—	266
Closing net book value	7,534	1,452	2,682	11,668
At 31.12.2010				
Cost	7,534	1,614	2,682	11,830
Accumulated amortisation	—	(162)	—	(162)
Net book value	7,534	1,452	2,682	11,668
For the year ended 31.12.2011				
Opening net book value	7,534	1,452	2,682	11,668
Additions	7,819	—	—	7,819
Transfer	(4,598)	4,598	—	—
Amortisation	—	(392)	—	(392)
Written off	(3,978)	—	—	(3,978)
Exchange adjustments	173	105	—	278
Closing net book value	6,950	5,763	2,682	15,395
At 31.12.2011				
Cost	**6,950**	**6,326**	**2,682**	**15,958**
Accumulated amortisation	**—**	**(563)**	**—**	**(563)**
Net book value	**6,950**	**5,763**	**2,682**	**15,395**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

18. GOODWILL – THE GROUP

	HK$'000
Cost:	
At 1.1.2010, 31.12.2010, 1.1.2011 and 31.12.2011	**79,893**
Impairment loss:	
At 1.1.2010, 31.12.2010, 1.1.2011 and 31.12.2011	**23**
Net book value:	
At 31.12.2011	**79,870**
At 31.12.2010	79,870

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:–

	2011 **HK$'000**	2010 HK$'000
Platform payment services	**43,050**	43,050
Internet based remittance services	**33,352**	33,352
Trading of timber	**3,402**	3,402
Others	**89**	89
	79,893	79,893

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the CGU is determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. A discount factor at a rate ranged from 12.48% to 13.27% was applied in the value in use model. Cash flows beyond the five-year period are extrapolated using the growth rate from 0% to 3%.

19. INTERESTS IN SUBSIDIARIES

	The Company	
	2011 **HK$'000**	2010 HK$'000
Unlisted shares, at cost	**153,704**	153,704
Amounts due from subsidiaries – note 19(b)	**384,982**	140,426
	538,686	294,130

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

19. INTERESTS IN SUBSIDIARIES *(continued)*

Notes:–

(a) The details of the principal subsidiaries at 31 December 2011 are as follows:–

Name of company	Place of incorporation/ establishment and operation	Particulars of issued share capital/ registered capital	Attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
Universal Cyberworks International Limited	British Virgin Islands	2 ordinary shares of US$1 each	100%	—	Investment holding
Universal Enterprise Resources Limited	Hong Kong	2 ordinary shares of HK$1 each	—	100%	Investment holding
Hyle Maestro Wooding (Shanghai) Limited*	People's Republic of China	US$2,380,000	—	100%	Trading of timber and manufacturing of furniture
Universal eCommerce China Limited	People's Republic of China	RMB100,000,000	—	100%	Provision of payment solutions and related services
International Payment Solutions Holdings Limited	Hong Kong	97,860,000 ordinary shares of HK$1 each	—	100%	Investment holding
International Payment Solutions (China) Limited*	People's Republic of China	US$880,000	—	100%	Provision of technical platform services
Universal Technologies (Hong Kong) Limited	Hong Kong	10,000 ordinary shares of HK$1 each	—	100%	Trading of timber and investment holding
International Payment Solutions (Hong Kong) Limited	Hong Kong	10,000 ordinary shares of HK$1 each	—	100%	Provision of payment solutions and related services
Universal Enterprise Investment Holdings Limited	Hong Kong	9,306,740 ordinary shares of HK$1 each	—	100%	Investment holding
Universal Investment China Limited*	People's Republic of China	US$5,100,000	—	100%	Investment holding
Shanghai Puluma Trading Limited	People's Republic of China	RMB500,000	—	100%	Trading of timber
Universal Technologies Investment Limited	Hong Kong	1,000,000 ordinary shares of HK$1 each	—	100%	Investment holding
Shanghai Phetion Information Technology Company Limited	People's Republic of China	RMB550,000	—	100%	Provision of technical platform services

* The subsidiaries are registered as Wholly Foreign Owned Enterprises under PRC Laws.

(b) The amounts are interest-free, unsecured and have no fixed terms of repayment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

20. INVENTORIES

	The Group	
	2011	2010
	HK$'000	HK$'000
Raw materials	**2,432**	2,252
Work in progress	**17,034**	4,410
Finished goods	**7,907**	10,141
	27,373	16,803

21. DEBTORS

The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with debtors, credit evaluations of customers are performed periodically.

An aging analysis of debtors is set out below:–

	The Group	
	2011	2010
	HK$'000	HK$'000
0–6 months	**119,142**	224,628
Over one year	**135**	132
	119,277	224,760
Neither past due nor impaired	**119,142**	224,628
Past due but not impaired	**135**	132
	119,277	224,760

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

22. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Utilities and deposits	**5,013**	428	**304**	246
Prepayments	**19,343**	6,867	**1,393**	273
Secured loans receivable – note (i)	**26,674**	6,074	**—**	—
Unsecured loans receivable – note (ii)	**53,869**	12,257	**—**	—
Other receivables	**65,380**	13,417	**23,076**	240
	170,279	39,043	**24,773**	759
Less: non-current portion – note (i)	**(600)**	—	**—**	—
Current portion	**169,679**	39,043	**24,773**	759

Notes:–

(i) Except for an amount of HK$20,000,000 (2010: Nil) which is interest-free, the remaining secured loans receivable are interest-bearing at 0.8% (2010: Nil) per month. Except for an amount of HK$600,000 (2010: Nil) which is repayable after one year has been reclassified to non-current assets, all other secured loans receivable are repayable within one year.

(ii) Except for an amount of HK$32,565,000 (2010: HK$660,000) which is interest-bearing at 1% (2010: 1%) per month, the remaining unsecured loans receivable are interest-free. All unsecured loans receivable are repayable within one year.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	2011	2010
	HK$'000	HK$'000
Listed securities		
Equity securities – Hong Kong	**10,244**	6,823
Equity securities – PRC	**4,327**	4,162
Market value of listed securities	**14,571**	10,985

24. PLEDGED TIME DEPOSITS AND CASH AND BANK BALANCES – THE GROUP

Pledged bank deposits of HK$114,736,000 (2010: HK$Nil) represents deposits pledged to a bank to secure a bank loan granted to the Company (note 25(e)).

They carry interest at a floating rate and will be released upon settlement of relevant bank loan.

At 31 December 2011, pledged time deposits and cash and bank balances of the Group denominated in Renminbi amounted to HK$416,551,000 (2010: HK$232,442,000). Renminbi is not freely convertible into foreign currencies. Subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for foreign currencies through banks authorised to conduct foreign exchange business.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

25. BANK LOANS

		The Group		The Company	
	Note	**2011**	2010	**2011**	2010
		HK$'000	HK$'000	**HK$'000**	HK$'000
Bank loan, secured	(a)	**—**	5,897	**—**	—
Bank loan, secured	(b)	**—**	21,821	**—**	—
Bank loan, secured	(c)	**—**	2,921	**—**	—
Bank loan, unsecured	(d)	**—**	20,052	**—**	—
Bank loan, secured	(e)	**217,765**	—	**217,765**	—
		217,765	50,691	**217,765**	—
Due for payment:					
Within one year		**217,765**	32,409	**217,765**	—
Within two to five years		**—**	18,282	**—**	—
Over five years		**—**	—	**—**	—
		—	18,282	**—**	—
		217,765	50,691	**217,765**	—

Notes:–

(a) The secured bank loan was interest-bearing at 4.43% per annum, repayable within one year, denominated in Renminbi and secured by (i) property held under medium-term lease with a net book value of HK$1,756,000 (note 14(a)); and (ii) prepaid land lease premium with a net book value of HK$3,750,000 (note 15). The loan was fully repaid and the charge over the above assets was released during the year.

(b) The secured bank loan was interest-bearing at 0.54% per month, repayable within five years, denominated in Renminbi and secured by (i) investment properties with a net book value of HK$114,600,000 (note 16); (ii) property held under medium-term lease with a net book value of HK$23,392,000 (note 14(a)); and (iii) prepaid land lease premium with a net book value of HK$36,508,000 (note 15). The loan was fully repaid and the charge over the above assets was released during the year.

(c) The secured bank loan was interest-bearing at 1.07% per annum, repayable within five years, denominated in Hong Kong dollar and secured by leasehold land and property held under medium-term lease with a net book value of HK$3,295,000 and HK$1,035,000 respectively (note 14(a)). The loan was fully repaid and the charge over the above assets was released during the year.

(d) The unsecured bank loan is interest-bearing at 5.35% per annum, repayable within one year and denominated in Renminbi. The loan was fully repaid during the year.

(e) The secured bank loan is interest-bearing at 2.3% plus Hong Kong Interbank Offered Rate per annum, repayable within one year, denominated in Hong Kong dollar and secured by (i) investment properties with a net book value of HK$120,730,000 (note 16); (ii) property held under medium-term lease with a net book value of HK$18,313,000 (note 14(a)); (iii) prepaid land lease premium with a net book value of HK$44,309,000 (note 15); and (iv) time deposits of HK$114,736,000 (note 24).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

26. TRADE PAYABLE

An aging analysis of trade payable is set out below:–

	The Group	
	2011	2010
	HK$'000	HK$'000
0–12 months	**—**	24,845
Over one year	**75**	1
	75	24,846

27. PAYABLE TO MERCHANTS

An aging analysis of payable to merchants is set out below:–

	The Group	
	2011	2010
	HK$'000	HK$'000
0–12 months	**328,567**	339,405
Over one year	**83**	227
	328,650	339,632

28. DEPOSITS RECEIVED, SUNDRY CREDITORS AND ACCRUALS

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits received and receipts in advance	**17,616**	10,731	**—**	—
Accruals	**2,963**	2,912	**872**	751
Sundry creditors	**108,439**	70,846	**—**	—
	129,018	84,489	**872**	751

29. AMOUNTS DUE TO SUBSIDIARIES – THE COMPANY

The amounts are interest-free, unsecured and repayable on demand.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

30. SHARE CAPITAL

	Note	The Group and the Company Number of shares	HK$'000
(a) Share capital			
Ordinary share of HK$0.01 each			
Authorised:			
At 1 January 2010, 31 December 2010 and 31 December 2011		**5,000,000,000**	**50,000**
Issued and fully paid:			
At 1 January 2010		1,503,928,858	15,039
Shares issued under share option scheme		56,820,000	568
Repurchased of own shares		(16,600,000)	(166)
At 31 December 2010 and 1 January 2011		1,544,148,858	15,441
Shares issued under share option scheme	(i)	184,280,000	1,843
Repurchased of own shares	(ii)	(25,920,000)	(259)
At 31 December 2011		**1,702,508,858**	**17,025**

Notes:–

(i) During the year ended 31 December 2011, 184,280,000 share options were exercised by the eligible option holders, resulting in the issue of 184,280,000 shares of HK$0.01 each of the Company at a total consideration of HK$71,094,000.

(ii) During the year ended 31 December 2011, the Company repurchased its own shares on the Stock Exchange as follows:–

Month/year	Number of shares repurchased	Highest price paid per share HK$	Lowest price paid per share HK$	Aggregate price paid HK$'000
January 2011	17,930,000	0.280	0.260	4,922
November 2011	5,850,000	0.435	0.400	2,375
December 2011	3,890,000	0.475	0.435	1,772

During the year ended 31 December 2011, a total of 27,670,000 shares were repurchased at an aggregate price paid of HK$9,069,000.

The 25,920,000 repurchased shares were cancelled and, accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to Section 37(4) of the Companies Law (2004 Revision) of the Cayman Islands, an amount equivalent to the par value of the shares cancelled of HK$259,000 was transferred from retained profits to the capital redemption reserve. The premium paid on the repurchase of the shares of HK$8,000,000 was charged to the share premium account. The remaining 1,750,000 shares with an aggregate price paid of HK$810,000 were cancelled on 17 February 2012.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

30. SHARE CAPITAL *(continued)*

(b) Capital management

The Group's equity capital management objectives are to safeguard the Group's ability to continue as a going concern and to provide an adequate return to shareholders commensurately with the level of risk. To meet these objectives, the Group manages the equity capital structure and makes adjustments to it in the light of changes in economic conditions by paying dividends to shareholders, issuing new equity shares, and raising or repaying debts as appropriate.

The Group's equity capital management strategy was to maintain a reasonable proportion in total liabilities and total assets. The Group monitors equity capital on the basis of gearing ratio, which is calculated as total liabilities over total assets. The gearing ratios at 31 December 2011 and at 31 December 2010 were as follows:–

	2011 **HK$'000**	2010 HK$'000
Total liabilities	**676,751**	503,196
Total assets	**1,130,594**	865,154
Gearing ratio	**59.86%**	58.16%

31. SHARE OPTIONS

(a) GEM Share Option Schemes

The Company operates three share option schemes (including one Share Option Scheme and two Pre-IPO Share Option Schemes) adopted on 12 October 2001 ("GEM Share Options Schemes") under which the board of directors (the "Board") are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, and other eligible persons, to take up options to subscribe for shares of the Company.

For the two Pre-IPO Share Option Schemes, the exercise prices were determined by the Board to be HK$0.010 and HK$0.084 respectively. The exercise price of the Share Option Scheme (other than the Pre-IPO Share Option Schemes) shall be determined by the Board in its absolute discretion, but in any event shall not be less than the higher of (i) the closing price per share on GEM as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and (ii) the average of the closing prices per share on GEM as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

31. SHARE OPTIONS *(continued)*

(a) GEM Share Option Schemes *(continued)*

None of the options granted under the Pre-IPO Share Option Schemes can be exercised during the first six months after 26 October 2001 (the "Listing Date"). The period within which the shares must be taken up under the Pre-IPO Share Option Schemes must be within a period of ten years commencing on the expiry of six months after the Listing Date and expiring on the last day of such ten-year period.

The vesting period and exercisable period of the Share Option Scheme (other than the Pre-IPO Share Option Schemes) are determined by the Board but in any case no option can be exercised later than ten years from the date of grant.

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

(i) A summary of the movements of share options granted under the GEM Share Option Schemes during each of the two years ended 31 December 2011 is as follows:–

			Number of share options							
Date of grant	Exercise period	Exercise price	Outstanding at 1 January 2010	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 1 January 2011	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2011
7 February 2002	7 February 2002 to 6 February 2012	HK$1.300	350,000	—	—	—	350,000	—	(150,000)	200,000
9 April 2002	9 April 2002 to 8 April 2012	HK$1.400	70,000	—	—	—	70,000	—	(20,000)	50,000
22 February 2008	22 February 2008 to 21 February 2011	HK$0.300	24,020,000	—	(18,940,000)	(1,300,000)	3,780,000	—	(3,780,000)	—
	22 February 2009 to 21 February 2011	HK$0.300	24,020,000	—	(18,940,000)	(1,300,000)	3,780,000	—	(3,780,000)	—
	22 February 2010 to 21 February 2011	HK$0.300	24,020,000	—	(18,940,000)	(1,300,000)	3,780,000	—	(3,780,000)	—
9 April 2010	9 April 2010 to 8 April 2012	HK$0.390	—	60,000,000	—	—	60,000,000	(53,780,000)	(20,000)	6,200,000
			72,480,000	60,000,000	(56,820,000)	(3,900,000)	71,760,000	(53,780,000)	(11,530,000)	6,450,000

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

31. SHARE OPTIONS *(continued)*

(a) GEM Share Option Schemes *(continued)*

(ii) The number and weighted average of exercise prices of share options are as follows:–

	2011		2010	
	Weighted average of exercise price HK$	**Number of options**	Weighted average of exercise price HK$	Number of options
Outstanding at the beginning of the year	**0.382**	**71,760,000**	0.307	72,480,000
Granted during the year	**—**	**—**	0.390	60,000,000
Exercised during the year	**0.390**	**(53,780,000)**	0.300	(56,820,000)
Lapsed during year	**0.315**	**(11,530,000)**	0.300	(3,900,000)
Outstanding at the end of year	**0.435**	**6,450,000**	0.382	71,760,000
Exercisable at the end of year	**0.435**	**6,450,000**	0.382	71,760,000

The closing price of the Company's share immediately before 9 April 2010, being the grant date of the options, was HK$0.340.

The weighted average share price at the dates of exercise for share options exercised during the year was HK$0.490 (2010: HK$0.302).

The closing price of the Company's share immediately before the dates in which the options were exercised ranged from HK$0.340 to HK$0.690 (2010: HK$0.310 to HK$0.355).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

31. SHARE OPTIONS *(continued)*

(a) GEM Share Option Schemes *(continued)*

(iii) No option under the GEM Share Option Schemes was granted during the year ended 31 December 2011. Fair value of share options granted during the year ended 31 December 2010:–

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the share option granted is measured based on Binomial Option Pricing Model.

Fair value at measurement date	HK$0.02716
Share price	HK$0.310
Exercise price	HK$0.390
Expected volatility	80.38%
Expected dividend	0.0%
Risk-free interest rate	0.723%

The expected volatility is based on the historical volatility (calculated based on the expected life of the share options), adjusted for any expected changes to future volatility due to public available information. Expected dividends are based on historical dividends. Changes in subjective input assumptions could materially affect the fair value estimate. Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants. However, the management has taken into consideration of historical staff turnover pattern for the estimation of expected option life.

(b) New Share Option Scheme

Pursuant to the Company transferred the listing of its share from GEM to the Main Board of the Stock Exchange on 22 June 2010, the Company adopted a new share option scheme which is compliance with the Listing Rules at the Company's extraordinary general meeting held on 12 August 2010 ("New Share Option Scheme"). The GEM Share Option Schemes have been terminated and no further options under such schemes have been granted thereunder upon the adoption of the New Share Option Scheme. The outstanding options granted under the GEM Share Option Schemes shall continue to be subject to the provision of the GEM Share Option Schemes.

The purpose of the New Share Option Scheme is to enable the Company to grant options to participants an incentive or rewards for their contributions to the Group.

The New Share Option Scheme was adopted for a period of ten years commencing from 12 August 2010 and will remain in force until 11 August 2020, after which period no further options will be offered or granted but the provisions of the scheme shall remain in full force and effect in all other respects with regard to options granted during the life of the scheme.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

31. SHARE OPTIONS *(continued)*

(b) New Share Option Scheme *(continued)*

The subscription price of the New Share Option Scheme shall be determined by the Board in its absolute discretion, but in any event shall not be less than the higher of (i) the closing price of the share as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average of the closing prices of the share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of the share of the Company.

(i) A summary of the movements of share options granted under the New Share Option Scheme during each of the two years ended 31 December 2011 is as follows:–

			Number of share options					
Date of grant	Exercise period	Exercise price	Granted in 2010	Outstanding at 1 January 2011	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2011
31 August 2010	31 August 2010 to 31 August 2013	HK$0.360	155,520,000	155,520,000	—	(114,800,000)	(870,000)	39,850,000
19 May 2011	19 May 2011 to 18 May 2013	HK$0.560	—	—	153,820,000	(15,700,000)	—	138,120,000
			155,520,000	155,520,000	153,820,000	(130,500,000)	(870,000)	177,970,000

(ii) The number and weighted average of exercise prices of share options are as follows:–

	2011		2010	
	Weighted average of exercise price HK$	**Number of options**	Weighted average of exercise price HK$	Number of options
Outstanding at the beginning of the year	**0.360**	**155,520,000**	—	—
Granted during the year	**0.560**	**153,820,000**	0.360	155,520,000
Exercised during the year	**0.384**	**(130,500,000)**	—	—
Lapsed during the year	**0.360**	**(870,000)**	—	—
Outstanding at the end of year	**0.515**	**177,970,000**	0.360	155,520,000
Exercisable at the end of year	**0.515**	**177,970,000**	0.360	155,520,000

The closing price of the Company's share immediately before 19 May 2011, being the grant date of the options, was HK$0.430 (2010: HK$0.310).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

31. SHARE OPTIONS *(continued)*

(b) New Share Option Scheme *(continued)*

(ii) The number and weighted average of exercise prices of share options are as follows:– *(continued)*

The weighted average share price at the dates of exercise for the share options exercised during the year was HK$0.510.

The closing price of the Company's share immediately before the dates in which the options were exercised ranged from HK$0.410 to HK$0.690.

(iii) Fair value of share options granted during the years ended 31 December 2011 and 31 December 2010:–

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the share option granted is measured based on Binomial Option Pricing Model.

	2011	2010
Fair value at measurement date	**HK$0.03214**	HK$0.03973
Share price	**HK$0.430**	HK$0.305
Exercise price	**HK$0.560**	HK$0.360
Expected volatility	**58.41%**	76.71%
Expected dividend	**0.70%**	0.14%
Risk-free interest rate	**0.511%**	0.526%

The expected volatility is based on the historical volatility (calculated based on the expected life of the share options), adjusted for any expected changes to future volatility due to public available information. Expected dividends are based on historical dividends. Changes in subjective input assumptions could materially affect the fair value estimate. Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants. However, the management has taken into consideration of historical staff turnover pattern for the estimation of expected option life.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

32. RESERVES

(a) The Group

	Share premium	Capital redemption reserve	Treasury shares reserve	Capital reserve	Special reserve	Exchange reserve	Share options reserve	Statutory reserve	Other reserve	Retained profits	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1.1.2010	205,295	—	—	1,093	10,754	(9,106)	4,170	7,133	—	18,378	237,717
Equity settled share-based transactions	—	—	—	—	—	—	8,274	—	—	—	8,274
Transferred to retained profits	—	—	—	—	—	—	(226)	—	—	226	—
Shares issued under share option scheme	20,153	—	—	—	—	—	(3,675)	—	—	—	16,478
Dividend paid	—	—	—	—	—	—	—	—	—	(6,016)	(6,016)
Repurchased of own shares	(4,300)	166	—	—	—	—	—	—	—	(166)	(4,300)
Change in ownership interests in subsidiaries that do not result in a loss of control	—	—	—	—	—	—	—	—	—	2	2
Total comprehensive income for the year	—	—	—	—	—	6,822	—	—	—	53,294	60,116
Transferred to statutory reserve	—	—	—	—	—	—	—	2,384	—	(2,384)	—
At 31.12.2010 and 1.1.2011	221,148	166	—	1,093	10,754	(2,284)	8,543	9,517	—	63,334	312,271
Equity settled share-based transactions	—	—	—	—	—	—	4,944	—	—	—	4,944
Transferred to retained profits	—	—	—	—	—	—	(769)	—	—	769	—
Shares issued under share option scheme	75,778	—	—	—	—	—	(6,527)	—	—	—	69,251
Dividend paid	—	—	—	—	—	—	—	—	—	(43,337)	(43,337)
Repurchased of own shares	(8,000)	259	(810)	—	—	—	—	—	—	(259)	(8,810)
Change in ownership interests in a subsidiany that do not result in a loss of control	—	—	—	—	—	—	—	—	137	—	137
Total comprehensive income for the year	—	—	—	—	—	7,480	—	—	—	58,145	65,625
Transferred to statutory reserve	—	—	—	—	—	—	—	236	—	(236)	—
At 31.12.2011	**288,926**	**425**	**(810)**	**1,093**	**10,754**	**5,196**	**6,191**	**9,753**	**137**	**78,416**	**400,081**

Notes:–

(i) The special reserve represents the difference between the nominal value of the ordinary shares issued by the Company and the share capital of a subsidiary acquired pursuant to the reorganisation completed in 2001.

(ii) The subsidiary established in the PRC was required by PRC Company Law to appropriate 10% of its statutory after-tax profit to a general reserve fund until the balance of the fund reached 50% of share capital and thereafter any further appropriation was optional. The general reserve fund could be utilised to offset prior years' losses or to increase share capital on the condition that the general reserve fund must be maintained at a maximum of 25% of the share capital after such issuance. During the year, the board of directors of the subsidiary resolved to appropriate HK$236,000 (2010: HK$2,384,000) from retained profits to general reserve fund.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

32. RESERVES *(continued)*

(b) The Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Share options reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1.1.2010	212,859	—	4,170	16,684	233,713
Equity settled share-based transactions	—	—	8,274	—	8,274
Transferred to retained profits	—	—	(226)	226	—
Shares issued under share option scheme	20,153	—	(3,675)	—	16,478
Dividend paid	—	—	—	(6,016)	(6,016)
Repurchased of own shares	(4,300)	166	—	(166)	(4,300)
Total comprehensive income for the year	—	—	—	19,508	19,508
At 31.12.2010 and 1.1.2011	228,712	166	8,543	30,236	267,657
Equity settled share-based transactions	—	—	4,944	—	4,944
Transferred to retained profits	—	—	(769)	769	—
Shares issued under share option scheme	75,778		(6,527)	—	69,251
Dividend paid	—	—	—	(43,337)	(43,337)
Repurchased of own shares	(8,000)	259	—	(259)	(8,000)
Total comprehensive income for the year	—	—	—	30,741	30,741
At 31.12.2011	**296,490**	**425**	**6,191**	**18,150**	**321,256**

Notes:–

(i) The share premium of the Company includes (i) shares issued at premium and (ii) the difference between the nominal value of the ordinary shares issued by the Company and the net asset values of the subsidiaries at the date they were acquired through an exchange of shares pursuant to the reorganisation completed in 2001. Under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium is distributable to the shareholders of the Company provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

(ii) Capital redemption reserve represents the nominal value of the shares repurchased which has been paid out of the distributable reserves of the Company.

(iii) At 31 December 2011, in the opinion of the directors, the reserves of the Company available for distribution to shareholders amounted to HK$314,640,000 (2010: HK$258,948,000) subject to the restrictions as stated above.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

33. BUSINESS COMBINATION

On 20 December 2011, the Group acquired the entire 100% equity interest in Shanghai Phetion Information Technology Company Limited, a company incorporated in the PRC, at a cash consideration of RMB550,000 (equivalent to HK$670,000).

The fair value of the identifiable assets and liabilities of the subsidiary acquired as at the date of acquisition is as follows:–

	HK$'000
Net assets acquired:	
Property, plant and equipment	**21**
Inventories	**60**
Debtors	**3,716**
Other receivables	**67**
Cash and bank balances	**717**
Other payables and accruals	**(201)**
	4,380
Gain on bargain purchase	**(3,710)**
Purchase consideration satisfied by cash	**670**
Cash and cash equivalents acquired	**717**
Cash consideration paid	**(670)**
Net cash inflow arising on acquisition	**47**

The Group recognised a gain on bargain purchase of HK$3,710,000 because the fair value of net assets acquired exceeded the purchase consideration.

The newly acquired business did not contribute any turnover to the Group and contributed a loss of HK$1,704,000 to the Group for the period between the date of acquisition and the end of reporting period.

If the acquisition had been completed on 1 January 2011, total Group's turnover for the period would have been HK$240,455,000, and profit for the year would have been HK$61,044,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2011 nor is intended to be a projection of future results.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

34. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Disposal of interests in a subsidiary without loss of control

On 1 September 2011, the Group disposed of 2% equity interests in a subsidiary at a consideration of RMB200,000 (equivalent to HK$244,000). The carrying amount of the non-controlling interests in this subsidiary on the date of disposal was HK$208,000. The Group recognised an increase in non-controlling interests of HK$208,000 and an increase in equity attributable to shareholders of the Company of HK$36,000. The effect of changes in the ownership interests of this subsidiary on the equity attributable to shareholders of the Company during the year is summarised as follows:–

	2011 **HK$'000**	2010 HK$'000
Carrying amount of non-controlling interests disposed of	**(208)**	(18,301)
Consideration received from non-controlling interests	**244**	18,338
Changes recognised on disposal within equity	**36**	37

(b) Acquisition of additional interests in a subsidiary

On 22 December 2011, the Group acquired an additional 40% equity interests in a subsidiary at a consideration of RMB2,403,000 (equivalent to HK$2,937,000). The carrying amount of the non-controlling interests in this subsidiary on the date of acquisition was HK$3,038,000. The Group recognised a decrease in non-controlling interests on the date of acquisition of HK$3,038,000 and a decrease in equity attributable to shareholders of the Company of HK$101,000. The effect of changes in the ownership interests of this subsidiary on the equity attributable to shareholders of the Company during the year is summarised as follows:–

	2011 **HK$'000**	2010 HK$'000
Carrying amount of non-controlling interests acquired	**3,038**	422
Consideration paid to non-controlling interests	**(2,937)**	(457)
Changes recognised on acquisition within equity	**101**	(35)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

34. TRANSACTIONS WITH NON-CONTROLLING INTERESTS *(continued)*

(c) Effects of transactions with non-controlling interests on the equity attributable to shareholders of the Company

	2011 **HK$'000**	2010 HK$'000
Total comprehensive income for the year attributable to shareholders of the Company	**65,625**	60,116
Changes in equity attributable to shareholders of the Company arising from:–		
– Acquisition of additional interests in a subsidiary	**101**	(35)
– Disposal of interests in a subsidiary without loss of control	**36**	37
Net effect for transactions with non-controlling interests on changes in equity attributable to shareholders of the Company	**137**	2
	65,762	60,118

35. COMMITMENTS

(a) Operating lease arrangements

(i) The Group

As lessor

At 31 December 2011, the Group had contracted with tenants for the following future minimum lease payments to be received under non-cancellable operating leases for each of the following periods as follows:–

	2011 **HK$'000**	2010 HK$'000
Within one year	**4,264**	3,002
After one year but within five years	**7,831**	8,191
Over five years	**9,588**	9,094
	21,683	20,287

The Group leases its investment properties under operating leases. The leases were negotiated for terms ranging from one to ten years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

35. COMMITMENTS *(continued)*

(a) Operating lease arrangements *(continued)*

(i) The Group *(continued)*

As lessee

At 31 December 2011, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:–

	2011	2010
	HK$'000	HK$'000
Within one year	**6,850**	1,139
After one year but within five years	**14,803**	962
	21,653	2,101

Operating lease payments represent rentals payable by the Group for the use of servers and office premises. Leases are negotiated for a term ranging from one to five years with fixed monthly rentals.

(ii) The Company

As lessee

At 31 December 2011, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases which falls due as follows:–

	2011	2010
	HK$'000	HK$'000
Within one year	**3,032**	641
After one year but within five years	**5,104**	962
	8,136	1,603

Operating lease payments represent rentals payable by the Company for the use of office premises. Leases are negotiated for a term of three years with fixed monthly rentals.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

35. COMMITMENTS *(continued)*

(b) Capital commitments

(i) The Group

Capital expenditure contracted for but not provided is as follows:–

	2011	2010
	HK$'000	HK$'000
Investment	—	354

On 5 August 2010, a 62% indirectly owned subsidiary of the Company entered into an agreement with a third party to set up a company in the PRC. The company will be principally engaged in investment holding. Pursuant to the agreement, the registered capital of the company will amount to RMB12,000,000 (equivalent to HK$14,154,000) and the Group shall contribute RMB3,600,000 (equivalent to HK$4,246,000) in cash representing 30% equity interests of the company. During last year, RMB3,300,000 (equivalent to HK$3,892,000) was paid. During this year, the project was cancelled and the amount was fully refunded.

(ii) The Company

At 31 December 2011, the Company had no capital commitments.

36. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS

The Group's policy is to prudently manage daily operations and invest surplus funds managed by the Group in a manner which satisfy liquidity requirements, safeguard financial assets, manage risks while optimising the returns.

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, market price risk and interest rate risk). The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Credit risk

Credit risk is the risk that a party to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation. The Group manages credit risk by setting up credit control policy and periodic evaluation of credit performance of the other parties, measured by the extent of past due or default.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

36. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS *(continued)*

(a) Credit risk *(continued)*

In respect of debtors arising from trading business, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluation focus on the customer's past history of making payments when due and current ability to pay, and obtaining information specific to the customer as well as pertaining to the economic environment in which the customer operates. Debtors are due within 60 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group was not exposed to significant risk from debtors arising from online platform, the transactions of which are made in cash or via reliable major credit cards by limiting the amount of credit exposure to these financial institutions and the merchants.

The Group

Carrying amounts of financial assets at 31 December 2011, which represented the amounts of maximum exposure to credit risk, were as follows:–

	2011	2010
	HK$'000	HK$'000
Debtors	**119,277**	224,760
Deposits and other receivables	**150,936**	32,176
Financial assets at fair value through profit or loss	**14,571**	10,985
Pledged time deposits	**114,736**	—
Cash and bank balances	**365,337**	267,215
	764,857	535,136

Except for debtors with carrying amount of HK$135,000 (2010: HK$132,000) which was past due but not impaired, the directors are satisfied with the credit quality of financial assets.

The Company

	2011	2010
	HK$'000	HK$'000
Amounts due from subsidiaries	**384,982**	140,426
Deposits and other receivables	**23,380**	486
Cash and bank balances	**1,860**	1,156
	410,222	142,068

The directors are satisfied with the credit quality of amounts due from subsidiaries since the subsidiaries are financially healthy. Overall, the directors are satisfied with the credit quality of financial assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

36. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS *(continued)*

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group manages liquidity risk by monitoring its liquidity position through periodic preparation of cash flows and cash balances forecasts and periodic evaluation of the ability of the Group to meet its financial obligations, measured by the gearing ratio.

The Group

Maturities of the non-derivative financial liabilities of the Group at 31 December 2011 were as follows:–

	2011	2010
	HK$'000	HK$'000
Total amounts of contractual undiscounted obligations:–		
Bank loans	**217,765**	50,691
Trade payables	**75**	24,846
Payable to merchants	**328,650**	339,632
Sundry creditors and accruals	**111,402**	73,758
	657,892	488,927
Due for payment:–		
Within one year or on demand	**657,892**	470,645
Within two to five years	**—**	18,282
Over five years	**—**	—
	657,892	488,927

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

36. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS *(continued)*

(b) Liquidity risk *(continued)*

The Company

Maturities of the non-derivative financial liabilities of the Company at 31 December 2011 were as follows:–

	2011 **HK$'000**	2010 HK$'000
Total amounts of contractual undiscounted obligations:–		
Bank loan	**217,765**	—
Accruals	**872**	751
Amounts due to subsidiaries	**10,375**	12,931
	229,012	13,682
Financial guarantee issued:–		
Maximum amount guarantee – note 38	**77,996**	—
	307,008	13,682
Due for payment:–		
Within one year or on demand	**307,008**	13,682

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

36. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS *(continued)*

(c) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Carrying amounts of financial assets and financial liabilities at 31 December 2011 exposed to currency risk against Hong Kong dollars were as follows:–

The Group

	2011	2010
	HK$'000	HK$'000
Financial assets denominated in foreign currencies:		
Debtors	**118,922**	224,758
Deposits and other receivables	**111,173**	10,108
Pledged time deposits	**114,736**	—
Cash and bank balances	**318,456**	244,565
	663,287	479,431
Financial liabilities denominated in foreign currencies:		
Bank loans	**—**	47,770
Trade payables	**75**	24,846
Payable to merchants	**328,650**	295,537
Sundry creditors and accruals	**72,496**	76,335
	401,221	444,488
Net financial assets exposed to currency risk	**262,066**	34,943

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

36. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS *(continued)*

(c) Currency risk *(continued)*

The Group's net financial assets exposed to currency risk were primarily denominated in the following currencies:–

	2011	2010
	HK$'000	HK$'000
Euro	**—**	21
United States dollars	**(59,993)**	12,144
Renminbi	**322,059**	22,778
	262,066	34,943

The Group operates in Hong Kong and the PRC and is exposed to foreign exchange risk arising from Renminbi, primarily with respect to the Hong Kong dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. At present, the Group does not intend to seek to hedge its exposure to foreign exchange risk profile as there were insignificant fluctuation in exchange rate between Hong Kong dollars and Renminbi.

Since Hong Kong dollars is pegged to United States dollars, material fluctuations in the exchange rates of Hong Kong dollars against United States dollars are remote.

Should Hong Kong dollars at 31 December 2011 devalue by 10% against Renminbi and EUR, the carrying amount of the net financial assets of the Group exposed to currency risk at 31 December 2011 determined in accordance with HKAS 21 "The Effects of Changes in Foreign Exchange Rates" would be increased, and hence the equity at 31 December 2011 would be increased by HK$32,206,000 (2010: HK$2,280,000); and no effect on the profit for the years ended 31 December 2011 and 2010.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

36. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS *(continued)*

(c) Currency risk *(continued)*

The Company

	2011 **HK$'000**	2010 HK$'000
Financial asset denominated in foreign currencies:–		
Cash and bank balances	**87**	28
Net financial asset exposed to currency risk	**87**	28

The Company's net financial asset exposed to currency risk were primarily denominated in the following currencies:–

	2011 **HK$'000**	2010 HK$'000
United States dollars	**15**	16
Renminbi	**72**	12
	87	28

Since Hong Kong dollars is pegged to United States dollars, material fluctuations in the exchange rates of Hong Kong dollars against United States dollars are remote.

Should Hong Kong dollars at 31 December 2011 devalue by 10% against Renminbi, the carrying amount of the net financial assets of the Company exposed to currency risk at 31 December 2011 determined in accordance with HKAS 21 "The Effects of Changes in Foreign Exchange Rates" would be increased, and hence the equity at 31 December 2011 would be increased by HK$7,200 (2010: HK$1,200); and the profit for the year ended 31 December 2011 would be increased by HK$7,200 (2010: HK$1,200).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

36. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS *(continued)*

(d) Market price risk

Market price risk is the risk that the fair value or future cash flows of a financial instrument traded in the market will fluctuate because of changes in market prices. The Group manages market prices risk, when it is considered significant, by entering into appropriate derivatives contracts.

The Group is exposed to equity price risk arising from equity investments classified as financial assets at fair value through profit or loss (note 23). The Group is not exposed to commodity price risk.

The sensitivity analysis below has been determined based on the exposure to equity price risk at the reporting date.

If equity price had been 10% higher/lower, post-tax profit for the year ended 31 December 2011 would be increased/decreased by HK$1,435,000 (2010: HK$986,000); and hence the equity at 31 December 2011 would be increase/decreased by HK$1,435,000 (2010: HK$986,000) as a result of the change in fair value of equity investments.

All investments are subject to a maximum concentration limit predetermined by the Board.

The Company has no significant exposure to market price risk.

(e) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises from its bank balances and bank loans. The bank balances bear interest at rates varied with the then prevailing market condition. If the market interest rate at 31 December 2011 had been 10 basis point lower or higher with all other variables held constant, there would be no significant change to the profit for the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

36. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS *(continued)*

(f) Fair values

(i) Financial instruments carried at fair value

For financial instruments carried at fair value, the amendments to HKFRS 7 "Financial Instruments: Disclosures", require disclosures relating to fair value measurements of financial instruments across three levels of a "fair value hierarchy". The fair value of each financial instrument is categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:–

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

- Level 2: fair value measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

At 31 December 2011, the only financial instruments of the Group carried at fair value were financial assets at fair value through profit or loss of HK$14,571,000 (2010: HK$10,985,000) listed on the Stock Exchange and Shanghai Stock Exchange (see note 23). These instruments fall into Level 1 of the fair value hierarchy described above.

During the year ended 31 December 2011, there were no significant transfers between Level 1 and Level 2.

At 31 December 2011 and 2010, the Company did not have any financial instrument carried at fair value.

(ii) Fair value of financial instruments carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2011 and 2010.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

37. RELATED PARTY TRANSACTIONS

(a) Apart from the transaction as disclosed in note 38 to the consolidated financial statements, the Group had no other material transaction with its related party during the year.

(b) Key management compensation

	2011	2010
	HK$'000	HK$'000
Fees for key management personnel	**326**	276
Salaries, allowances and other benefits in kind	**4,958**	3,129
Pension scheme contributions	**446**	386
Equity settled share-based payment expenses	**701**	4,260
	6,431	8,051

38. BANKING FACILITIES

At 31 December 2011, the Group's banking facilities to the extent of HK$298,130,000 (2010: HK$64,716,000) were secured by:–

(a) cross corporate guarantees limited to HK$10,966,000 executed by the Company and its subsidiaries;

(b) properties held under medium-term lease (note 14(a));

(c) prepaid land lease premium (note 15);

(d) investment properties held under medium-term lease (note 16);

(e) time deposits (note 24);

(f) corporate guarantees limited to HK$67,030,000 executed by the Company and its subsidiary; and

(g) guarantee limited to HK$4,800,000 executed by the Government of HKSAR.

Such banking facilities were utilised by the Group to the extent of HK$217,765,000 (2010: HK$50,691,000).

39. CONTINGENT LIABILITIES

At 31 December 2011, the Group and the Company had no contingent liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

40. SEGMENT REPORTING

The chief operating decision-maker has been identified as the key management. This key management reviews the Group's internal reporting in order to assess performance and allocate resources.

The Group has presented the following four reportable segments.

(a) Payment solutions

This segment primarily derives its revenue from the provision of payment solutions and ongoing technical support services to customers in the PRC, Hong Kong and overseas. Currently the Group's activities in this regard are carried out in the PRC, Hong Kong and overseas.

(b) Timber trading and furniture manufacturing

This segment engaged in trading of timber and manufacturing of furniture to customers in the PRC. Currently the Group's activities in this regard are carried out in the PRC.

(c) System integration and technical platform services

This segment engaged in provision of system integration and technical platform services to customers in the PRC. Currently the Group's activities in this regard are carried out in the PRC.

(d) Industry park

This segment engaged in development and management of e-commence, financial and resources industry parks where enterprise cluster of the same industry chain are integrated. The services for enterprise in industry parks include property leasing, property sales, facilities maintenance, processing efficiency improvement and management related consulting, supporting and outsourcing. Currently the Group's activities in this regard are carried out in the PRC.

Others include supporting units of Hong Kong operation and the net result of other subsidiaries in Hong Kong and the PRC. These operating segments have not been aggregated to form a reportable segment.

The key management assesses the performance of the segments based on the results, assets and liabilities attributable to each reportable segment on the following basis:–

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Segment assets and liabilities excluded financial assets at fair value through profit or loss, bank loans, deferred tax liability and other corporate assets and liabilities.

The measure used for reporting segment profit is "adjusted EBIT", i.e. "adjusted earnings before interest and taxes", where "interest" is regarded as including investment income. To arrive at adjusted EBIT, the Group's earnings are further adjusted for items not specifically attributed to individual segments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

40. SEGMENT REPORTING *(continued)*

(a) Segments results, assets and liabilities

The following tables present the information for the Group's reportable segments:–

	Reportable Segments											
	Payment solutions		Timber trading and furniture manufacturing		System integration and technical platform services		Industry park		Others		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Reportable segment revenue												
Revenue from external customers	**206,283**	97,950	**29,878**	11,749	**—**	12,608	**4,094**	645	**84**	—	**240,339**	122,952
Other revenue	**2,555**	877	**373**	2,233	**31**	596	**2,932**	22	**1,280**	384	**7,171**	4,112
Total revenue	**208,838**	98,827	**30,251**	13,982	**31**	13,204	**7,026**	667	**1,364**	384	**247,510**	127,064
Reportable segment profits	**102,428**	57,293	**424**	1,449	**(4,893)**	3,418	**(8,257)**	35,576	**(27,022)**	(26,790)	**62,680**	70,946
Interest income											**6,547**	1,188
Dividend income											**264**	133
Profit from operations											**69,491**	72,267
Gain on bargain purchase											**3,710**	—
Finance costs											**(9,618)**	(2,743)
Loss on disposal of subsidiaries											**—**	(1,377)
Profit before income tax											**63,583**	68,147
Income tax expense											**(1,888)**	(15,169)
Profit for the year											**61,695**	52,978
Attributable to:												
— Shareholders of the Company											**58,145**	53,294
— Non-controlling interests											**3,550**	(316)
											61,695	52,978

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

40. SEGMENT REPORTING *(continued)*

(a) Segments results, assets and liabilities *(continued)*

The following tables present the information for the Group's reportable segments:–

	Reportable Segments											
	Payment solutions		Timber trading and furniture manufacturing		System integration and technical platform services		Industry park		Others		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Depreciation for the year	**5,294**	2,012	**385**	283	**96**	240	**3,238**	1,942	**402**	376	**9,415**	4,853
Amortisation	**466**	48	**—**	—	**—**	109	**976**	931	**110**	110	**1,552**	1,198
Capital expenditure incurred during the year	**22,073**	8,855	**1,258**	4,505	**—**	12,172	**3,276**	15,502	**1,531**	8,122	**28,138**	49,156
Reportable segment assets	**587,942**	431,892	**49,545**	38,317	**20,627**	113,226	**323,939**	190,165	**133,970**	80,569	**1,116,023**	854,169
Unallocated assets											**14,571**	10,985
Total assets											**1,130,594**	865,154
Reportable segment liabilities	**377,053**	404,328	**13,221**	7,239	**5,249**	26,950	**58,431**	9,045	**1,173**	1,405	**455,127**	448,967
Unallocated liabilities											**234,746**	66,290
Total liabilities											**689,873**	515,257

No amount, which was individually more than 10 percent of the Group's revenue, was revenue from transactions with any customer (2010: an amount of HK$12,042,000), which was individually more than 10 percent of the Group's revenue and included in the revenue of payment solutions segment, was revenue from transactions with one single customer.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

40. SEGMENT REPORTING *(continued)*

(b) Geographical information

	PRC		Hong Kong/overseas		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**111,015**	48,090	**129,324**	74,862	**240,339**	122,952
Other revenue	**5,893**	3,731	**1,278**	381	**7,171**	4,112
Total revenue	**116,908**	51,821	**130,602**	75,243	**247,510**	127,064
Non-current assets	**264,205**	246,779	**54,163**	56,701	**318,368**	303,480

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the non-current assets is based on the physical location of the assets, in the case of property, plant and equipment, investment properties and prepaid land lease premium, the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and the location of operation, in the case of deposit paid for an investment and other receivables.

Five Years Financial Summary

RESULTS

	Year ended 31 December				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**240,339**	122,952	86,973	75,151	72,265
Profit for the year	**61,695**	52,978	26,564	22,383	12,648
Attributable to:					
Shareholders of the Company	**58,145**	53,294	28,478	22,426	12,648
Non-controlling interests	**3,550**	(316)	(1,914)	(43)	—
	61,695	52,978	26,564	22,383	12,648

ASSETS AND LIABILITIES

	At 31 December				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
NON-CURRENT ASSETS	**318,368**	303,480	207,477	172,803	60,784
CURRENT ASSETS	**812,226**	561,674	184,761	114,433	166,616
DEDUCT:					
CURRENT LIABILITIES	**676,751**	484,914	107,625	57,084	88,345
NET CURRENT ASSETS	**135,475**	76,760	77,136	57,349	78,271
	453,843	380,240	284,613	230,152	139,055
DEDUCT:					
NON-CURRENT LIABILITIES	**(13,122)**	(30,343)	(29,009)	(1,798)	(3,030)
NET ASSETS	**440,721**	349,897	255,604	228,354	136,025