TECHNOLOGIES UNIVERSAL

Universal Technologies Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code : 1026

Embrace Worldwide Wisdom

Create First-class Companies

Enjoy Technological Lifestyle

ANNUAL REPORT 2012

Contents

Highlights of the Year

— Turnover for the year ended 31 December 2012 amounted to HK$126.72 million (2011: HK$240.34 million), representing a decrease of 47% over the last fiscal year.

— Net profit attributable to shareholders of the Company for the year ended 31 December 2012 was HK$6.99 million (2011: HK$58.15 million), representing a decrease of 88% over the last fiscal year. Such decrease in net profit is mainly due to the modulation of payment solutions services business in response to the global economic downturn and the competition to the same industry.

— Basic and diluted earnings per share for the year ended 31 December 2012 amounted to HK0.41 cent and HK0.41 cent respectively (2011: HK3.59 cents and HK3.57 cents respectively).

— The Board of Directors does not recommend a final dividend for the year ended 31 December 2012 (2011: HK1.00 cent per share).

Corporate Information

BOARD OF DIRECTORS

Executive Directors:

Chen Runqiang *(Chairman)*
(appointed on 8 June 2012)
Xu Hui *(appointed on 12 March 2012)*
Lau Yeung Sang
Liu Ruisheng *(resigned on 8 June 2012)*
Zhou Jianhui *(appointed on 18 December 2012)*
Chen Jinyang *(appointed on 18 December 2012)*
Ren Lili *(resigned on 12 March 2012)*
Luan Yumin *(resigned on 10 September 2012)*
Chang Hung Lun *(resigned on 10 September 2012)*

Non-Executive Director:

Chow Cheuk Lap

Independent Non-Executive Directors:

Meng Lihui
Fong Heung Sang
Dr. Cheung Wai Bun, Charles, *J.P.*

COMPANY SECRETARY

Tang Chi Wai

COMPLIANCE OFFICER

Chow Cheuk Lap *(appointed on 10 September 2012)*
Lau Yeung Sang *(resigned on 10 September 2012)*

AUDIT COMMITTEE

Meng Lihui *(Chairman)*
Fong Heung Sang
Dr. Cheung Wai Bun, Charles, *J.P.*

AUTHORISED REPRESENTATIVES

Chen Runqiang *(appointed on 10 September 2012)*
Lau Yeung Sang *(resigned on 10 September 2012)*
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

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

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 hereby present the annual report of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2012.

REVIEW

In 2012, the Group has gone through thick and thin as well as drastic transformation. All the operations of the Group were affected to various extents by setbacks such as the sluggish world economy and the rising costs caused by the competition within the industry. Our turnover and net profit recorded a decrease as compared with last year. Notwithstanding the deteriorated financial indicators as compared with last year, we outperformed our industry peers during the year with all our efforts. Our satisfactory performance was attributable to the Group's solid capital structure, sound financial strength and able management, and also the dedicated efforts of the entire staff. Moreover, the Group has maximised shareholders' interests with various successful capital market activities during the year.

In order to secure solid human resources available to the continual development of our core business, the Group has constantly recruited talents to build up a workforce of high caliber. While ensuring its stable development, our core business has also accelerated its modulation to adapt to new industries, and has achieved various breakthroughs, thereby enhancing its overall competitiveness and the market share of its products, thus secured the long-term growth during the year. However, the Group was also confronted by the additional sales, management and operating costs incurred by the modulation, breakthroughs as well as the development and introduction of new products. Coupled with the impact of the slow-moving global economic recovery during the year, such increase in costs has resulted in a fall in turnover and profit for the year. On the other hand, with constant brand-building investment, the timber and furniture manufacturing business has extended its regional coverage during the year with increasing number of stores. Following the roll-out of new products, this business has also raised the profile of its products and entered the higher-end rosewood furniture market.

Meanwhile, the Group's headquarters building generated a constant and stable rental income for the Group during the year, thereby contributing to the Company's profitability and cash flows.

PROSPECTS

True strength lies in understanding and excelling oneself. A year of challenging external market environment has no doubt hindered our growth for the moment, but it has also steeled and tempered us. This has not only benefited our long-term development, but also boosted our confidence in our future corporate growth. Being market-and-efficiency-oriented, we will proactively modulate our business model in a timely manner according to market changes, further adjust our corporate structure, and aggressively expand our businesses in order to achieve sustainable development. We will also enlarge our business scope and expand our income sources with the aim of improving our profitability and safeguarding shareholders' interests. All these will be kept carried on in the coming future.

As the Group will execute its diversification strategy in full speed, it will also push ahead with a self-improvement plan that deals with both our internal and external operations. Internally, we will improve our risk and human resource management. Externally, we will put extra effort on brand promotion and market development. In particular, we will implement the following measures: (1) we will perfect our group-wide internal management

Chairman's Statement

systems and improve our day-to-day management and operating procedures in order to ensure a smooth operation; in addition, the staff incentive scheme will be continued in order to incentivise the staff and improve their efficiency in a fair, equitable and effective manner, which also reinforces our core management team; (2) for the payment solutions business, the Group will recruit more talents, particularly those specialise in financial and technological innovation fields, to guarantee the human resources for future business growth; (3) for the timber and furniture manufacturing business, further efforts will be made to promote our brand and strengthen our position in regional markets; we will increase our investment on effective regional advertising media in order to enhance the market awareness of our "Heritage Mode" brand; in terms of products, we will bolster our quality control so as to boost customer satisfaction; (4) in addition to the existing property management and development businesses which generate stable rental income and cash flows for the Group, the management will carefully identify and assess other potential investment opportunities which can bring long-term benefit to the Group and thus greater returns and value to our shareholders, investors and the entire staff.

Looking forward to the year ahead, the Group is poised for a brand-new round of development and the overall business is expected to be well-performed. We are confident of surmounting all the uncertainties and difficulties temporarily affecting the industry while achieving our business targets.

With the start of the promising year of 2013, let us join forces and sail through.

WORDS OF THANKS

On behalf of the Board of Directors, I would like to express our gratitude to the management team and all our staff for their loyal, professional and invaluable contributions for last year. The Board of Directors would also like to thank all shareholders, customers, suppliers and other business partners for their unceasing trust and staunch support.

Chen Runqiang
Chairman

Hong Kong, 28 March 2013

Management Discussion and Analysis

FINANCIAL OVERVIEW

Turnover and net profit

During the current fiscal year, the Group recorded a turnover of HK$126,719,000, representing a decrease of 47% as compared to the last fiscal year. The net profit attributable to shareholders of the Company was HK$6,989,000 in the current year, representing a decrease of 88% as compared to the last fiscal year. The decrease in turnover is mainly due to the decrease in revenue of the Group's payment solutions business. The decrease in net profit is mainly attributable to the modulation of payment solutions services business in response to the global economic downturn and the competition in the same industry.

Cost of sales/services rendered

During the current fiscal year, the Group recorded a cost of sales/services rendered of HK$16,125,000 representing a decrease of 52% as compared to the last fiscal year. The decrease of cost of sales/services rendered is in line with the decrease in turnover.

Other revenue

During the current fiscal year, the Group recorded an other revenue of HK$28,944,000, representing an increase of 304% as compared to the last fiscal year. It is mainly due to an increase in interest on bank deposits, other interest income and government subsidy for payment solutions services business.

Other income

During the current fiscal year, the Group recorded an other income of HK$6,517,000, representing an increase of 133% as compared to the last fiscal year. The increase of other income is due to an increase of gain on disposal of financial assets.

General and administrative expenses

During the current fiscal year, the Group recorded a general and administrative expenses of HK$125,309,000, representing a decrease of 16% as compared to the last fiscal year. It is mainly due to absence of the loss on change in fair value of financial assets and decrease in other general expenditure during the year.

Increase in fair value of investment properties

During the current fiscal year, the Group recorded an increase in fair value of investment properties of HK$8,869,000, representing an increase of 321% as compared to the last fiscal year. The main increase in fair value of investment property is at the commercial development located at No. 1178 Tian Yao Qiao Road, Xuhui District, Shanghai, the People's Republic of China (the "PRC"). Moreover the Group has acquired two investment properties in the PRC during the reporting period. The increase in fair value of investment properties based on a professional valuation of an independent valuer, BMI Appraisals Limited.

Management Discussion and Analysis

FINANCIAL OVERVIEW *(continued)*

Impairment loss on loan receivable

During the current fiscal year, the Group recorded an impairment loss on loan receivable of HK$693,000, representing an increase of 100% as compared to the last fiscal year. It is mainly related to a secured loan receivable due from the borrower who failed to repay the loan in accordance with the repayment schedule in an outstanding principal amount and accrued interest amount and was ordered by the court to repay the amount, as a result full provision of impairment loss was made.

Finance costs

During the current fiscal year, the Group recorded a finance costs of HK$11,528,000, representing an increase of 20% as compared to the last fiscal year. It is mainly due to an increase in bank charges for the need of business operation and bank loan interest incurred by the secured bank loan granted in the second quarter of year 2011.

Income tax expense

During the current fiscal year, the Group recorded an income tax expense of HK$3,022,000, representing an increase of 60% as compared to the last fiscal year. The increase in deferred tax is due to the increase in the percentage change of fair value gain on investment properties compared to last fiscal year.

Investment properties

The Group's investment properties increased by HK$33,296,000 or 28% from HK$120,730,000 as at 31 December 2011 to HK$154,026,000 as at 31 December 2012. It was mainly attributable to the additions of investment properties and the fair value gain of investment properties during the year. The Group acquired two properties in the PRC which located at Shuang Hu Wan Garden, Suzhou, Jiangsu Province, the PRC and No.7 of 288 Lane of Qingxi Road, Changning District, Shanghai, the PRC. The total fair value of the investment properties acquired during the year as at 31 December 2012 was valued by BMI Appraisals Limited, an independent valuer, on an open market value basis at HK$23,979,000.

Interest in an associate

During the current fiscal year, the Group acquired 28.42% equity interests at a consideration of RMB900,000 (equivalent to HK$1,107,000) in OEC Consultant (Shanghai) Company Limited. The Group recognised the loss of HK$435,000 for the period between the date of acquisition and the end of the fiscal year.

Management Discussion and Analysis

FINANCIAL OVERVIEW *(continued)*

Other investment

The Group's other investment increased by HK$12,272,000 from HK$Nil as at 31 December 2011 to HK$12,272,000 as at 31 December 2012. The amount represented an investment into the property development company, incorporated in the PRC by a wholly-owned subsidiary of the Company and additional capital will be injected into the above company.

Debtors

The Group's debtors decreased by HK$32,178,000 from HK$119,277,000 as at 31 December 2011 to HK$87,099,000 as at 31 December 2012. The decrease was mainly attributable to the shorten settlement period of online payment solutions services business. However, based on the good track record of the debtor with the Group, management believed that no impairment allowance is necessary on increased amount of past due amount. Debtors that were past due but not impaired included an amount of HK$45,811,000 which was related to a service provider of payment solutions business. As the Group was playing the role as an agent on behalf of the merchants for collection of payments, thus no impairment allowance was necessary in respect of this balance.

Deposits, prepayments and other receivables

The Group's deposits, prepayments and other receivables decreased by HK$90,920,000 from HK$170,279,000 as at 31 December 2011 to HK$79,359,000 as at 31 December 2012. The decrease in deposits, prepayments and other receivables was because some of the secured and unsecured loans receivables were fully repaid during the fiscal year and the decrease in other receivables incurred in the ordinary course of development of the Group.

Pledged time deposits

The Group's pledged time deposits increased from HK$114,736,000 as at 31 December 2011 to HK$115,357,000 as at 31 December 2012. It represents time deposits pledged to a bank to secure the general banking facilities granted to the Group.

Cash and bank balances

The Group's cash and bank balances decreased by HK$23,802,000 from HK$365,337,000 as at 31 December 2011 to HK$341,535,000 as at 31 December 2012. As at 31 December 2012, 88% (31 December 2011 : 83%) of cash and bank balances was denominated in Renminbi.

Bank loan, secured

As at 31 December 2011 and 31 December 2012, the Group's bank loan was both HK$217,765,000, there was no movement during 2012. The secured bank loan is interest-bearing at 2.5% plus Hong Kong Interbank Offered Rate per annum, repayable within one year.

Management Discussion and Analysis

FINANCIAL OVERVIEW *(continued)*

Trade payable

The Group's trade payable decreased by HK$75,000 from HK$75,000 as at 31 December 2011 to HK$Nil as at 31 December 2012. The trade payable was attributable from the timber trading and furniture manufacturing business and it was fully settled during the fiscal year.

Payable to merchants

The Group's payable to merchants decreased by HK$80,771,000 from HK$328,650,000 as at 31 December 2011 to HK$247,879,000 as at 31 December 2012. The decrease was mainly attributable to the increase in the efficiency of the settlement to merchants related to payment solutions business. The Group was playing the role as an agent on behalf of the merchants for collection of transaction moneys from debtors and then paid such transaction moneys to the merchant after deducting services fee. The Group mainly booked the services fee which is determined based on an agreed percentage of the transaction moneys involved as turnover.

Deposits received, sundry creditors and accruals

The Group's deposits received, sundry creditors and accruals decreased by HK$61,850,000 from HK$129,018,000 as at 31 December 2011 to HK$67,168,000 as at 31 December 2012. The decrease was mainly attributable to the decrease in sundry creditors incurred in the ordinary course of development of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

At 31 December 2012, the Group had net current assets of HK$141,173,000. Current assets comprised inventories of HK$42,033,000, debtors of HK$87,099,000, deposits, prepayments and other receivables of HK$79,359,000, financial assets at fair value through profit or loss of HK$10,057,000, prepaid land lease premium of HK$1,202,000, tax recoverable of HK$816,000, pledged time deposits of HK$115,357,000 and cash and bank balances of HK$341,535,000.

Current liabilities comprised bank loan, secured of HK$217,765,000, payable to merchants of HK$247,879,000, deposits received, sundry creditors and accruals of HK$67,168,000 and tax payable of HK$3,473,000.

The gearing ratio (defined as a percentage of total liabilities (excludes deferred tax liability) over total assets) of the Group at 31 December 2012 was 51% (2011: 60%).

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.

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS

General Review

The operations of Universal Technologies Holdings Limited went through ups and downs in the year of 2012. The upside was internal. With continual success in brand-building and strong brand equity, the Group has not only created fruitful returns for its shareholders, but also developed a new income source for its domestic operation by strategically partnering with Beihai Shiji Information Technology Co., Ltd. who has a wealth of long-term and established customers. Our financial indicators for 2012 showed that our shareholders' equity increased by over 8% in 2012 as compared with the same period in 2011. Overall revenue and profit from domestic operations has also surged. However, the downside was that, externally speaking, market competition has intensified as the banking industry has extended their business to professional third party payment solutions. The sluggish world economic recovery has also significantly affected the demand of transaction and, in turn, revenue and profit for the year from overseas core business of the Group. Other non-core businesses have also dipped slightly.

During the year, the Group's core business grew rapidly in the domestic market with a sharp increase by over 25% in turnover as compared with last year, thereby increasing our shareholders' equity. In view of the advancements in technologies such as offline payment collection, online payment and mobile payment, the Group has initiated various thorough studies in both domestic and overseas markets in 2012 by leveraging its capital strength. Through focusing on the integrated payment solution business but diversifying in terms of business models and merchant bases, the Group has made a great sail in "Blue Ocean" markets. In respect of payment processing for education organisations and capital management for conventional retail sectors, we have developed and perfected our solutions that combine online and offline functions during the year, which marked the first strategic progress in our development. This product has received recognition from both merchants and users and will be rolled-out soon. More importantly, the Group has carried out its strategy of infiltrating into specialised markets during the year by reaching cooperation intention with various large chain enterprises, which helped the Group to gain a foothold for its core business. We have also launched a brand new integrated operating model for the financial industry. This model is designed to improve long-term cash reserve management, and has enhanced the Group's market reputation. At the same time, the Group has successfully completed the upgrade of its core operating system from version 3.0 to 6.0, as well as the related risk control system in this fiscal year. Therefore, the overall operating capacity of the Group's core business has been enhanced. In comparison with last year, total transaction amount and profit both increased by over 30%. However, our overseas turnover and revenue dwindled during the year. As the Group's business was hindered by the sluggish overseas economic recovery during the year, it has stepped up its efforts in sales and management, thus increasing its operating costs. These costs mainly included the recruitment of professional and technical staffs and the upgrade of our software systems. In 2012, the Group gathered numerous core members of high caliber for its workforce, such as the research and development team. We have also pooled our manpower and resources to newly launched operations, resulting in a number of core systems being developed within the year.

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS *(continued)*

General Review *(continued)*

For the timber and furniture manufacturing business, the year was also full of challenges. As the Chinese government has promulgated home purchase restrictions and taxes on the second-hand homes transactions, high-end real estate turnover shrank and the sale of rose-wood furniture has dropped slightly. However, due to the long-term value of our semi-finished products, the market value of our stock will rise steadily. Therefore, the timber and furniture manufacturing business maintained stable overall performance. In addition, after years of brand-building, our "Heritage Mode" brand has established a solid position in the market. With the increase in store number during the year, the market share of the brand was also on a steady rise. In terms of production materials, elegant new products made from high quality raw materials have already been launched this year, signifying the elevation of our products to a higher-end rosewood furniture market.

During the year, the headquarters building of the Group generated a constant and stable rental income for the Group, contributing considerable profitability and cash flow to the Company. Furthermore, adhering to our diversifying multi-industry development approach and with the aim of creating industrial conglomerates, the Group has made actual progress on some emerging industries with huge investment potential after long and diligent studies and planning, thus laying the solid foundation for the Group's profit growth.

Besides, the Group has improved its overall internal management in accordance with the Corporate Governance Code by optimising its corporate governance structure and management regulations and rationalising its production, operation procedures and performance assessment. In particular, we have strengthened our control over external investments and public relations. Fifty management regulations were introduced and modified, thereby perfecting the Group's governance structure and building up a solid foundation for future centralised management of the Group. With respect to human resources, in view of the intellectual-and-technology-oriented characteristics of the Group's operations, we have enlisted a new management team for our core business, and recruited various elites for the research and development team. The upgrade of the existing systems has also been completed during the year. We have also made enormous effort in the establishment of the new core business and several core system modules were basically completed during the year. In terms of internal production and system management, our achievements were even greater. For instance, through years of experience, the Group has established comprehensive incentive and restrictive regulations for our staff which effectively incentivise and unify the staff and the Group in an equitable manner. In particular, the Group launched an open internal selection of management staff for our core business, which acted as a fair mechanism for our staff to work their ways up their career ladders. With better management and development of our human resources, the Group has elicited greater support and confidence from our business partners and the staff for future development.

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS *(continued)*

Prospects

The year of 2013 represents challenges and choices, and demand of balance and determination for the Group. With the diligent design and planning of our management team and the dedication and contributions of our staff, we are confident of achieving satisfactory performances.

First of all, capitalising on the talents that we have gathered in 2012, the Group will continue to carry out its innovative, pragmatic and perfectionist approach to develop new industries and execute new projects in order to seize the opportunities brought by the State's support to various industries, and to take the Group to new heights.

Secondly, after a year of transformation and planning in relation to market adjustment, the Group's core business will endeavor to maintain our leading position in conventional industries while focusing on the implementation of integrated industry chain with the view to attracting various customers from each industry. We will also enhance the leading position of our products in the market. Leveraging a larger pool of existing customers and cooperation merchants, unique services and improved operations, we will step up our marketing effort in order to sustain our profit and achieve sustainable development.

Thirdly, for our timber and furniture manufacturing business, we will persist in our prudent business model of "One Brand, Dual Platform" by engaging franchised distributors and establishing a refined platform for product design, production, improvement and distribution. We will also enhance our brand-building effort so as to further expand the timber and furniture manufacturing business in 2013. On the other hand, the Group has high hopes for the development of our industrial park. We believe that with our sound financial position and able management team poised for any opportunity, this business will also thrive.

Fourthly, we will strictly enforce and actively improve our governance structure and corporate regulations so as to enhance and perfect the execution of our corporate decisions. We will also foster an equitable mechanism to share our achievements with our shareholders, business partners and the staff.

Last but not least, on the road to success, we shall leave no stone unturned. For the long-term development of the Group, we shall spare no effort and fight tooth and nail. With our highly efficient management and the concerted effort of all the staff, we will prevail in terms of innovation and development, and create higher value for our shareholders and investors.

EMPLOYEES

At 31 December 2012, the total number of employees of the Group was 596 (2011: 583). 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.

Management Discussion and Analysis

EMPLOYEES *(continued)*

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 the 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 Zhuofu Technologies Company Limited, at a cash consideration of RMB758,000 (equivalent to HK$927,000). The fair value of the identifiable assets and liabilities of the subsidiary acquired as at the date of acquisition was HK$1,136,000. The newly acquired business did not contribute any turnover to the Group but contributed a profit of HK$127,000 to the Group for the period between the date of acquisition and the end of the reporting period. The Group recognised a gain on bargain purchase of HK$209,000 because the fair value of net assets acquired exceeded the purchase consideration.

During the current fiscal year, the Group acquired 28.42% equity interests in OEC Consultant (Shanghai) Company Limited at a consideration of RMB900,000 (equivalent to HK$1,104,000). The Group recognised the loss of HK$435,000 for the period between the date of acquisition and the end of the reporting period.

On 8 June 2012, Universal eCommerce China Limited ("eCommerce"), a wholly-owned subsidiary of the Company, entered into conditional disposal agreements with Shanghai Chiyi Investment Partnership ("Chiyi") and Beihai Shiji Information Technology Co., Ltd. ("Beihai Shiji") which were connected persons of the Company in respect of the disposal of 17.49% equity interests in Universal ECPAY Limited ("ECPAY"), which is an indirect non-wholly owned subsidiary of the Company. Chiyi is owned as to 53.64% by Madam Luan Yumin, a former Executive Director of the Company, and Beihai Shiji owned 15% existing equity interests in ECPAY. Therefore, the agreements entered into between Chiyi and Beihai Shiji respectively were connected transactions for the Company. According to the agreements, eCommerce has conditionally agreed to dispose 9.99% equity interests in ECPAY to Chiyi at a consideration of RMB12,765,500 (equivalent to approximately HK$15,679,000); and eCommerce has conditionally agreed to dispose 7.5% equity interests in ECPAY to Beihai Shiji at a consideration of RMB36,750,000 (equivalent to HK$45,011,000). The disposal was subsequently approved by the independent shareholders of the Company on 27 July 2012. The disposal of 7.5% equity interests in ECPAY to Beihai Shiji was completed on 17 September 2012. The carrying amount of the non-controlling interests in ECPAY on the date of disposal was HK$13,542,000. The Group recognised an increase in non-controlling interests of HK$13,542,000 and an increase in equity attributable to shareholders of the Company of HK$28,270,000.

Management Discussion and Analysis

CHARGES ON GROUP'S ASSETS

At 31 December 2012, properties held under medium-term lease with a net book value of HK$17,409,000 (2011: HK$18,313,000), investment properties with carrying amount of HK$130,046,000 (2011: HK$120,730,000), prepaid land lease premium with a net book value of HK$40,079,000 (2011: HK$44,309,000) and time deposits of HK$115,357,000 (2011: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 2012.

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 2012, 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.

CAPITAL COMMITMENT

At 31 December 2012, the Group had contracted for but not provided for capital commitment, in respect of acquisition of property, plant and equipment of HK$784,000 (2011: HK$Nil) and in respect of investment of HK$12,272,000 (2011: HK$Nil). On 28 March 2012, a wholly-owned subsidiary of the Company entered into an agreement to acquire 8.63% equity interests of a company incorporated in the PRC at a total consideration of RMB20,000,000 (equivalent to HK$24,544,000). At 31 December 2012, RMB10,000,000 (equivalent to HK$12,272,000) was paid and the remaining RMB10,000,000 (equivalent to HK$12,272,000) was contracted for but not yet paid.

CONTINGENT LIABILITIES

The Directors consider that the Group had no contingent liabilities at 31 December 2012.

Directors, Senior Management and Consultants

DIRECTORS

Executive Directors

Mr. Chen Runqiang

Mr. Chen, aged 46, was appointed as an Executive Director of the Group on 8 June 2012. Mr. Chen was also appointed as the Chairman of the Board and the authorised representative of the Group on 10 September 2012. Mr. Chen is a businessman with plenty of experiences in the PRC and he engages in property development and leasing in the PRC.

Mr. Xu Hui

Mr. Xu, aged 45, was 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 PRC, 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 China's Top-100 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. Lau Yeung Sang

Mr. Lau, aged 66, is one of the founders and an Executive Director of the Group. Mr. Lau was responsible for the overall strategic planning and coordination of all the Directors and key management of the Group. Mr. Lau has over 30 years experiences in the business operation in the PRC. Mr. Lau is the brother of Mr. Liu Ruisheng, a former Executive Director of the Group. Mr. Lau resigned as the Chairman of the Board, the compliance officer and the authorised representative of the Group on 10 September 2012.

Mr. Liu Ruisheng

Mr. Liu, aged 68, joined as an Executive Director of the Group in March 2004, and resigned on 8 June 2012. He was mainly responsible for the overall strategic planning of the Group. Mr. Liu is a businessman with years of solid experiences gained from e-commerce related companies in the PRC. Mr. Liu is the brother of Mr. Lau Yeung Sang, an Executive Director of the Group and a substantial shareholder of the Company.

Directors, Senior Management and Consultants

DIRECTORS *(continued)*

Executive Directors *(continued)*

Mr. Zhou Jianhui

Mr. Zhou, aged 48, was appointed as an Executive Director of the Group on 18 December 2012. Mr. Zhou has substantial experience and knowledge of financial management and investment business in the PRC. Mr. Zhou was previously a senior advisor of the Company and the Vice President in the Group. Before joining the Group, Mr. Zhou had been a Director, a development strategy committee member and a deputy general manager of Guangdong Golden Dragon Development Inc. (a company listed on the Shenzhen Stock Exchange with stock code of 000712) until he resigned on 28 February 2011. Mr. Zhou had been a Director and a nomination committee member of Guangdong Booxin Investment Holdings Co., Ltd. (a company listed on the Shanghai Stock Exchange with stock code of 600083) until he resigned on 26 February 2011.

Mr. Chen Jinyang

Mr. Chen, aged 42, was appointed as an Executive Director of the Group on 18 December 2012. He has substantial experience and knowledge of banking industry and investment business in the PRC. He was the Vice President in the Group.

Madam Ren Lili

Madam Ren, aged 32, was graduated from China University of Political Science and Law. Prior to joining the Group, Madam Ren had 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 had served in various capacities within the Group overseeing corporate risk management, compliance, investment and financing and investor relations. Madam Ren had played a major role in developing the Group's overall strategy and monitoring the development and implementation of those strategies. Madam Ren resigned as an Executive Director of the Group on 12 March 2012.

Madam Luan Yumin

Madam Luan, aged 36, 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 had 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 did a great job in expanding business while handling the risks well under control. Madam Luan resigned as an Executive Director of the Group on 10 September 2012.

Directors, Senior Management and Consultants

DIRECTORS *(continued)*

Executive Directors *(continued)*

Mr. Chang Hung Lun

Mr. Chang, aged 42, was appointed as an Executive Director of the Group on 23 February 2011 and resigned on 10 September 2012. 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 Group for more than four years.

Non-Executive Director

Mr. Chow Cheuk Lap

Mr. Chow, aged 61, is a Non-Executive Director of the Group. Mr. Chow was appointed as the compliance officer of the Group on 10 September 2012. Mr. Chow 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 50, was appointed as an Independent Executive Director and the Chairman of Audit Committee, Nomination Committee and Remuneration Committee of the Group respectively. Mr. Meng was appointed as an Independent Non-Executive Director of the Group on 4 April 2003. He is also the 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. Fong Heung Sang

Mr. Fong, aged 53, was appointed as an Independent Non-Executive Director and the member of Audit Committee, Nomination Committee and Remuneration Committee of the Group respectively. Mr. Fong was appointed as an Independent Non-Executive Director of the Group 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 Lllinois 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.

Directors, Senior Management and Consultants

DIRECTORS *(continued)*

Independent Non-Executive Directors *(continued)*

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

Dr. Cheung, aged 76, was appointed as an Independent Non-Executive Director and the member of Audit Committee, Nomination Committee and Remuneration Committee of the Group respectively. Dr. Cheung was appointed as an Independent Non-Executive Director of the Group on 6 September 2011. Dr. Cheung was awarded with Honorary Doctorate Degree in Business Administration 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 the Independent Non-Executive 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 the Chairman of the Board, an Independent Non-Executive Director, Chairman of Nomination Committee and Remuneration Committee of Grand T.G Gold Holding Limited (stock code: 8299), a company listed on the GEM of the Stock Exchange. In addition, Dr. Cheung is an Executive Chairman of Lightscape Technologies Inc.. He 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. He 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.

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 39, 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 16 years experience in auditing, accounting and financial management.

Directors, Senior Management and Consultants

CONSULTANTS

Mr. Liu Ji

Mr. Liu, aged 77, is the Management Consultant of the Group. He is the Honorary President of China Europe International Business School ("CEIBS") 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 Shengjun

Mr. Liu, aged 39, 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 48, 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 Company and the Board are devoted to achieve and maintain the highest standards of corporate governance and have adopted the principles of the corporate governance practices of the Rules Governing the listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") in the construction of our corporate governance practices. The Board believes that effective corporate governance practices are fundamental to enhancing shareholder value and safeguarding interests of our shareholders and other stakeholders. Accordingly, the Company has adopted sound corporate governance principles that emphasize a quality Board, effective internal control, stringent disclosure practices and transparency and accountability to all stakeholders.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with all the code provisions of the code on corporate governance practices (which was effective until 31 March 2012) during the period from 1 January 2012 to 31 March 2012 and the corporate governance code ("CG Code") during the period from 1 April 2012 to 31 December 2012 as set out in Appendix 14 to the Listing Rules. One Independent Non-Executive Director did not attend the annual general meeting of the Company held on 30 April 2012 due to other engagements. This constitutes a deviation from the code provision of A.6.7 of the CG Code which requires, inter alia, Independent Non-Executive Directors and other Non-Executive Directors to attend general meetings.

BOARD OF DIRECTORS

Board Composition

At the date of this annual report, the Board comprises nine Directors, including five Executive Directors, namely, Mr. Chen Runqiang (Chairman), Mr. Xu Hui (Chief Executive Officer), Mr. Lau Yeung Sang, Mr. Zhou Jianhui and Mr. Chen Jinyang; one Non-Executive Director, namely Mr. Chow Cheuk Lap; three Independent Non-Executive Directors, namely Mr. Meng Lihui, Mr. Fong Heung Sang and Dr. Cheung Wai Bun, Charles, *J.P.*. Throughout the year and up to the date of this report, the Company has complied with the requirements under Rule 3.10(A) and (2) of the Listing Rules. The former Rule requires that the number of Independent Non-Executive Directors must represent at least one-third of the Board and the latter Rule requires that at least one of the Independence Non-Executive Director must have appropriate professional qualifications or accounting or related financial management expertise.

The Company has received annual confirmation of independence from each of the Independent Non-Executive Directors pursuant to Rule 3.13 of the Listing Rules and all Independent Non-Executive Directors are considered to be independent. Brief biographical particulars of the Directors are set out on pages 15 to 18.

Corporate Governance Report

BOARD OF DIRECTORS *(continued)*

Board's Responsibilities and Delegation

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

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 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.

Liability insurance for Directors and senior management officers of the Company was maintained by the Company with coverage for any legal liabilities which may arise in the course of performing their duties.

Compliance with the Model Code for 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 2012.

Corporate Governance Report

BOARD OF DIRECTORS *(continued)*

Board Meetings and Attendance

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. Chen Runqiang *(appointed on 8 June 2012)*	2/2
Mr. Xu Hui *(appointed on 12 March 2012)*	3/3
Mr. Lau Yeung Sang	4/4
Mr. Liu Ruisheng *(resigned on 8 June 2012)*	2/2
Mr. Zhou Jianhui *(appointed on 18 December 2012)*	1/1
Mr. Chen Jinyang *(appointed on 18 December 2012)*	1/1
Madam Ren Lili *(resigned on 12 March 2012)*	1/1
Madam Luan Yumin *(resigned on 10 September 2012)*	3/3
Mr. Chang Hung Lun *(resigned on 10 September 2012)*	3/3
Mr. Chow Cheuk Lap	4/4
Mr. Meng Lihui	4/4
Mr. Fong Heung Sang	4/4
Dr. Cheung Wai Bun, Charles, *J.P.*	4/4

Corporate governance functions

The Board is responsible for performing the corporate governance duties as set out below:

1. to develop and review the Company's policies and practices on corporate governance and make recommendations;

2. to review and monitor the training and continuous professional development of Directors and senior management;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report under Appendix 14 to the Listing Rules.

Corporate Governance Report

BOARD OF DIRECTORS *(continued)*

Directors' Continuing Professional Development Programme

Each newly appointed Director is provided with necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under the relevant statutes, laws, rules and regulations.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged in-house trainings for Directors since the CG Code became effective from 1 April 2012.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under provision A.2.1 of the Code, the roles of the chairman and the chief executive officer should be separated and should not be performed by the same individual. For the year ended 31 December 2012, the roles of the chairman and the chief executive officer have been performed by Mr. Chen Runqiang and Mr. Xu Hui, respectively.

The chairman plays a leadership role and is responsible for the effective functioning of the Board in accordance with the good corporate governance practice adopted by the Group. He is also responsible for instilling corporate culture and developing strategic plans for the Group. Under provisions A.2.1 and A.2.2 of the Code, the chairman would ensure that all Directors are properly briefed on issues arising at Board meetings and would be responsible for ensuring that Directors receive adequate information, which must be complete and reliable, in a timely manner. On the other hand, the chief executive officer primarily focuses on developing and implementing objectives and policies approved and delegated by the Board. The chief executive officer is also responsible for the Group's day-to-day management and operations and the formulation of the organisation structure, control systems and internal procedures and processes of the Group for the Board's approval.

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.

Corporate Governance Report

COMPANY SECRETARY

The company secretary of the Company, Mr. Tang Chi Wai, is the qualified accountant and one of the authorised representatives of the Group. 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 supports the Board, ensures good information flow within the Board and Board policy and procedures are followed; advises the Board on governance matters, facilitates induction and, monitors the training and continuous professional development of Directors. He has attained not less than 15 hours of relevant professional training during 2012.

REMUNERATION COMMITTEE

The Board established the remuneration committee in July 2006. The major responsibilities of the remuneration committee are to make recommendation to the Board on the Company's policy and structure for remuneration of the Directors and senior management of the Company. The remuneration committee shall determine, with delegated responsibility, the individual remuneration package of each Executive Director and senior management including benefits in kind and pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment). When determining remuneration packages of the Executive Directors and senior management of the Company, the remuneration committee takes into consideration factors such as time commitment, responsibilities, employment condition and remuneration packages of executive directors of comparable companies.

The remuneration committee comprises three Independent Non-Executive Directors, Mr. Meng Lihui, Mr. Fong Heung Sang and Dr. Cheung Wai Bun, Charles, *J.P.* and is chaired by Mr. Meng Lihui.

The terms of reference of the remuneration committee have been uploaded to the Company's website and the Stock Exchange's website.

The remuneration committee held four meetings for the year ended 31 December 2012. The composition of the remuneration committee during the year as well as the meeting attendance of the committee members are as follows:–

Remuneration Committee	Attendance
Mr. Meng Lihui	4/4
Mr. Fong Heung Sang	4/4
Dr. Cheung Wai Bun, Charles, *J.P.*	4/4

Corporate Governance Report

NOMINATION COMMITTEE

The Board established the nomination committee on 29 March 2012. The nomination committee is authorised by the Board to determine the policy for the nomination of Directors, to set out the nomination procedures and the process and criteria adopted to select and recommend candidates for directorship. The nomination committee is also responsible for reviewing the structure, size and composition of the board.

The nomination committee comprises three Independent Non-Executive Directors, Mr. Meng Lihui, Mr. Fong Heung Sang and Dr. Cheung Wai Bun, Charles, *J.P.* and is chaired by Mr. Meng Lihui.

The terms of reference (including the nomination procedures and criteria for selection and recommendation of candidates for directorship) of the nomination committee have been uploaded to the Company's website and the Stock Exchange's website.

The nomination committee held four meetings for the year ended 31 December 2012. The composition of the nomination committee during the year as well as the meeting attendance of the committee members are as follows:–

Nomination Committee	Attendance
Mr. Meng Lihui	4/4
Mr. Fong Heung Sang	4/4
Dr. Cheung Wai Bun, Charles, *J.P.*	4/4

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 Board acknowledges its responsibility for the preparation of the financial statements which give a true and fair view of the state of affairs of the Group. The financial statements set out on pages 42 to 111. Financial results of the Group are announced in a timely manner in accordance with statutory and/or regulatory requirements.

The Board of Directors recognises the importance of integrity of financial information and acknowledges its responsibility for preparing interim and annual financial statements that give a true and fair view of the Group's affairs and its results and cash flows in accordance with Hong Kong Financial Reporting Standards and the Hong Kong Companies Ordinance. In presenting the financial information, as well as price-sensitive announcements and other financial disclosures as required by regulations, the board endeavours to present in a timely manner to shareholders and other stakeholders a balanced and understandable assessment of the Company's performance, position and prospects. Accordingly, appropriate accounting policies are selected and applied consistently, and judgments and estimates made by the management for financial reporting purpose are prudent and reasonable. Prior to the adoption of the financial statements and the related accounting policies, the relevant financial information is discussed between the external auditor and the management, and then submitted to the audit committee for review.

The Board considers that the adoption of new or amended financial reporting standards that became effective during the year has not had a significant impact on the Group's financial statements, details of which are disclosed in Note 2(a) on page 50.

The responsibilities of the external auditor with respect to the financial statements for the year ended 31 December 2012 are set out in the Independent Auditor's Report on page 40 to 41.

AUDITOR'S REMUNERATION

PKF has been appointed as the Group's external auditor since 2001.

During the year under review, the fee payable to PKF in respect of its audit services and non-audit services including tax matters, review and other reporting services provided to the Company were HK$600,000 and HK$72,000, respectively.

Corporate Governance Report

AUDIT COMMITTEE

The Board established the audit committee in October 2001. The audit committee is authorised by the Board to consider the appointment, re-appointment and removal of the external auditor, to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process and to discuss with the external auditor the nature and scope of the audit. It is also responsible for reviewing: (i) the interim and annual financial statements before submission to the Board and (ii) the Company's financial control, internal control and risk management systems.

The audit committee monitors the integrity of the Company's financial statements, annual report and accounts and half-year report and reviews significant financial report judgments contained therein. It reviews, makes recommendations and reports to the Board on findings relating to the financial statements, reports and accounts, systems of internal controls and risk management and compliance issues.

The audit committee comprises three Independent Non-Executive Directors, Mr. Meng Lihui, Mr. Fong Heung Sang and Dr. Cheung Wai Bun, Charles, *J.P.* and is chaired by Mr. Meng Lihui.

The terms of reference of the audit committee have been uploaded to the Company's website and the Stock Exchange's website.

The audit committee held four meetings for the year ended 31 December 2012. The composition of the audit committee during the year as well as the meeting attendance of the committee members are as follows:–

Audit Committee	Attendance
Mr. Meng Lihui	4/4
Mr. Fong Heung Sang	4/4
Dr. Cheung Wai Bun, Charles, *J.P.*	4/4

SHAREHOLDERS' RIGHTS

In accordance with the Company's Article 58, the shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to the requisitionists by the Company.

A shareholders' communication policy (the "Policy") was adopted by the Company in March 2012 to maintain an on-going dialogue with Shareholders and encourage them to communicate actively with the Company and also establishing the Policy and reviewing the Policy on a regular basis to ensure its effectiveness.

Corporate Governance Report

INVESTOR RELATIONS

During the Review Period, special resolution was proposed for the amendment of the Articles of the Company and being approved by the shareholders, further details may refer to the announcement of the Company and circular of the Company both dated 27 March 2012. The amended and restated Articles of the Company is available on the Company's website and the Stock Exchange's website.

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public.

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong branch share registrar: Hong Kong Registrars Limited, Room 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Other enquiries or comments raised by any shareholder can be mailed to the Board at the Company's head office in Hong Kong at Units 601–608, 6/F, Harbour View Two, Phase Two, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong or sent through email to info@uth.com.hk

ATTENDANCE AT GENERAL MEETING

The Company's annual general meeting provides a useful platform for direct communication between the board and shareholders.

The 2012 annual general meeting ('2012 AGM') was held on 30 April 2012. The attendance record of the Directors at the 2012 AGM is set out below:

	Attendance
Executive Directors:	
Chen Runqiang *(Chairman) (appointed on 8 June 2012)*	N/A
Xu Hui *(appointed on 12 March 2012)*	✓
Lau Yeung Sang	✓
Liu Ruisheng *(resigned on 8 June 2012)*	—
Zhou Jianhui *(appointed on 18 December 2012)*	N/A
Chen Jinyang *(appointed on 18 December 2012)*	N/A
Ren Lili *(resigned on 12 March 2012)*	N/A
Luan Yumin *(resigned on 10 September 2012)*	—
Chang Hung Lun *(resigned on 10 September 2012)*	✓
Non-Executive Director:	
Chow Cheuk Lap	✓
Independent Non-Executive Directors:	
Meng Lihui	✓
Fong Heung Sang	—
Dr. Cheung Wai Bun, Charles, *J.P.*	✓

Directors' Report

The Directors have pleasure in presenting their annual report together with the audited consolidated financial statements for the year ended 31 December 2012.

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 2012 and the state of affairs of the Company and of the Group at 31 December 2012 are set out in the consolidated financial statements on pages 42 to 111.

No interim dividend was declared and paid during the year (2011: HK0.80 cent per share and a special dividend of HK1.20 cent per share were declared and paid).

The Board of Directors does not recommend the payment of a final dividend in respect of the year ended 31 December 2012 (2011: HK1.00 cent per share).

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 112. 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 amounting to HK$19,170,000 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 2012, the investment properties of the Group were revalued by an independent valuer on an open market value basis at HK$154,026,000.

Details of movements in investment properties of the Group during the year are set out in note 16 to the consolidated financial statements.

BANK LOAN, SECURED

At 31 December 2012, the Group has a secured bank loan amounting to HK$217,765,000. Details of bank loan, secured are set out in note 27 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in note 32(a) to the consolidated financial statements.

Directors' Report

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in note 34 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. Chen Runqiang	*(appointed on 8 June 2012)*
Mr. Xu Hui	*(appointed on 12 March 2012)*
Mr. Lau Yeung Sang	
Mr. Zhou Jianhui	*(appointed on 18 December 2012)*
Mr. Chen Jinyang	*(appointed on 18 December 2012)*
Mr. Liu Ruisheng	*(resigned on 8 June 2012)*
Madam Ren Lili	*(resigned on 12 March 2012)*
Madam Luan Yumin	*(resigned on 10 September 2012)*
Mr. Chang Hung Lun	*(resigned on 10 September 2012)*

Non-Executive Director:

Mr. Chow Cheuk Lap

Independent Non-Executive Directors:

Mr. Meng Lihui
Mr. Fong Heung Sang
Dr. Cheung Wai Bun, Charles, *J.P.*

The Executive Director, Mr. Chen Runqiang, was appointed for an initial term of two years commencing from 8 June 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(3) of the Company's Article of Association. Mr. Chen was also appointed as the Chairman of the Board on 10 September 2012.

Directors' Report

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS *(continued)*

The Executive Directors, Mr. Zhou Jianhui and Mr. Chen Jinyang, were appointed for an initial term of two years commencing from 18 December 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(3) of the Company's Article of Association.

The Non-Executive Director and 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. Meng Lihui and Mr. Fong Heung Sang shall retire from office by rotation, and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Mr. Meng Lihui, was appointed as an Independent Non-Executive Director of the Company for more than nine years since 4 April 2003. Pursuant to Code A.4.3 of the CG Code, (a) having served the Company for more than nine years could be relevant to the determination of an Independent Non-Executive Director's independence and (b) if an Independent Non-Executive Director has served more than nine years, his further appointment should be subject to a separate resolution to be approved by the shareholders.

Mr. Meng meets the independence factors set out in Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and is not involved in the daily management of the Company nor in any relationships or circumstances which would interfere with the exercise of his independent judgment. Taking into consideration of his independent scope of works in the past years, the Directors consider Mr. Meng to be independent under the Listing Rules despite the fact that he has served the Company for more than nine years. Accordingly, Mr. Meng shall be subject to retirement rotation and re-election by way of a separate resolution to be approved by the shareholders in 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 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.

Directors' Report

CONNECTED TRANSACTIONS

On 8 June 2012, Universal eCommerce China Limited ("eCommerce"), a wholly-owned subsidiary of the Company, entered into conditional disposal agreements with Shanghai Chiyi Investment Partnership ("Chiyi") and Beihai Shiji Information Technology Co., Ltd ("Beihai Shiji") which were connected persons of the Company in respect of the disposal of 17.49% equity interests in Universal ECPAY Limited ("ECPAY"), which is an indirect non-wholly owned subsidiary of the Company. Chiyi is owned as to 53.64% by Madam Luan Yumin, a former Executive Director of the Company, and Beihai Shiji owned 15% existing equity interests in ECPAY. Therefore, the agreements entered into between Chiyi and Beihai Shiji respectively were connected transactions for the Company. According to the agreements, eCommerce has conditionally agreed to dispose 9.99% equity interests in ECPAY to Chiyi at a consideration of RMB12,765,500 (equivalent to approximately HK$15,679,000); and eCommerce has conditionally agreed to dispose 7.5% equity interests in ECPAY to Beihai Shiji at a consideration of RMB36,750,000 (equivalent to approximately HK$45,011,000). The disposal was subsequently approved by the independent shareholders of the Company on 27 July 2012. The disposal of 7.5% equity interests in ECPAY to Beihai Shiji is completed on 17 September 2012. The carrying amount of the non-controlling interests in ECPAY on the date of disposal was HK$13,542,000. The Group recognised an increase in non-controlling interests of HK$13,542,000 and an increase in equity attributable to shareholders of the Company of HK$28,270,000.

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.

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.

Directors' Report

SHARE OPTIONS *(continued)*

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

(i) Share Option Scheme (continued)

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 2012 and there was no share option outstanding at 31 December 2012.

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 2012, 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 141,020,000, representing approximately 8% 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 Schemes during the year is as follows:–

					Number of share options					
Grantees	Date of grant	Vesting period	Exercise period	Exercise price	Outstanding at 1 January 2012	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2012	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	200,000	—	(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	50,000	—	(50,000)	—	HK$1.400	—
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	6,200,000	(6,200,000)	—	—	HK$0.340	HK$0.420–HK$0.455
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	39,850,000	(36,500,000)	(200,000)	3,150,000	HK$0.310	HK$0.435–HK$0.490
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	138,120,000	—	(250,000)	137,870,000	HK$0.430	—
					184,420,000	(42,700,000)	(700,000)	141,020,000		

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 Schemes.

Directors' Report

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

At 31 December 2012, 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	Total interests in		% of the Company's
Name of directors	**Personal interests**	**Family interests**	**Corporate interests**	**ordinary shares**	**underlying shares** (note 1)	**Aggregate interests**	**issued share capital**
Executive Directors:							
Mr. Chen Runqiang (note 1)	—	—	—	—	6,000,000	6,000,000	0.34%
Mr. Xu Hui	—	—	—	—	—	—	—
Mr. Lau Yeung Sang (note 2)	—	—	190,400,000	190,400,000	—	190,400,000	10.95%
Mr. Zhou Jianhui (note 1)	—	—	—	—	6,000,000	6,000,000	0.34%
Mr. Chen Jinyang	—	—	—	—	—	—	—
Non-executive Director:							
Mr. Chow Cheuk Lap (note 3)	—	—	67,540,000	67,540,000	—	67,540,000	3.88%
Independent Non-executive Directors:							
Mr. Meng Lihui	—	—	—	—	—	—	—
Mr. Fong Heung Sang	—	—	—	—	—	—	—
Dr. Cheung Wai Bun, Charles, *J.P.*	—	—	—	—	—	—	—

Notes:

1. The interests of Mr. Chen Runqiang and Mr. Zhou Jianhui 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".

2. 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.

3. Total interests of Mr. Chow Cheuk Lap in the ordinary shares of the Company include 67,540,000 shares held by Top Nation International Limited ("Top Nation"). Mr. Chow Cheuk Lap 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 2012.

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 2012, 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 2012 and for the year ended 31 December 2012:–

(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 2012, 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
Ever City Industrial Development Limited (note 1)	Beneficial owner and interest in controlled corporation	356,000,000	20.46%
Eastcorp International Limited (note 2)	Beneficial owner and person having a security interest in shares	250,000,000	14.37%
Mr. Lau Sik Suen (note 3)	Beneficial owner	232,300,000	13.35%
World One Investments Limited (note 4)	Beneficial owner	190,400,000	10.95%

Directors' Report

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)*

(a) Long positions in the shares of the Company *(continued)*

Notes:

(1) Ever City Industrial Development Limited is beneficially owned by Mr. Yang Zhimao and Ms. Zhu Fenglian as to 80% and 20% respectively. Ever City Industrial Development Limited directly holds 106,000,000 shares and through Eastcorp International Limited indirectly holds 250,000,000 shares.

(2) Eastcorp International Limited is beneficially owned by Ever City Industrial Development Limited, Mr. Chau Cheuk Wah and Mr. Chen Zhihao as to 50%, 25% and 25% respectively. Eastcorp International Limited directly holds 200,000,000 shares and has a security interest in 50,000,000 shares.

(3) Mr. Lau Sik Suen is the son of Mr. Lau Yeung Sang.

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

(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 2012, 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.

Directors' Report

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 10% of the total sales for the year and sales to the largest customer included therein amounted to approximately 3%. Purchases from the Group's five largest suppliers accounted for approximately 79% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 72%.

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.

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 HK$	Lowest price paid per share HK$	Aggregate price paid HK$'000
January 2012	3,880,000	0.475	0.460	1,812

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

During the year ended 31 December 2012, a total of 3,880,000 shares were repurchased at an aggregate price paid of HK$1,812,000.

During the year ended 31 December 2011, a total of 27,670,000 shares were repurchased but only 25,920,000 repurchased shares were cancelled. The remaining 1,750,000 repurchased shares with and aggregate price paid of HK$810,000 were cancelled on 17 February 2012.

The 3,880,000 repurchased shares and the 1,750,000 shares repurchased in 2011 were cancelled in 2012 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$56,000 was transferred from retained profits to the capital redemption reserve. The premium paid on the repurchase of the shares in 2012 and 2011 of HK$1,773,000 and HK$793,000 were charged to the share premium account.

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 2012.

Directors' Report

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 20 to 28 to the Annual 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

Chen Runqiang
Chairman
Hong Kong, 28 March 2013

Independent Auditor's Report

PKF

大信梁學濂（香港）會計師事務所

Accountants &
business advisers

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 42 to 111, which comprise the consolidated and Company's statements of financial position at 31 December 2012, 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 2012 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, 28 March 2013

Consolidated Income Statement

For the year ended 31 December 2012

	Note	**2012 HK$'000**	2011 HK$'000
Turnover	4	**126,719**	240,339
Cost of sales/services rendered		**(16,125)**	(33,755)
Gross profit		**110,594**	206,584
Other revenue	4	**28,944**	7,171
Other income	5	**6,517**	2,801
General and administrative expenses		**(125,309)**	(149,170)
Profit from operations		**20,746**	67,386
Gain on bargain purchase		**209**	3,710
Increase in fair value of investment properties		**8,869**	2,105
Impairment loss on loan receivable		**(693)**	—
Share of results of an associate		**(435)**	—
Finance costs	6(a)	**(11,528)**	(9,618)
Profit before income tax	6	**17,168**	63,583
Income tax expense	8	**(3,022)**	(1,888)
Profit for the year		**14,146**	61,695
Attributable to:			
Shareholders of the Company	10	**6,989**	58,145
Non-controlling interests		**7,157**	3,550
Profit for the year		**14,146**	61,695
Earnings per share (in cents)			
Basic	12	**0.41**	3.59
Diluted	12	**0.41**	3.57

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 2012

	2012 **HK$'000**	2011 HK$'000
Profit for the year	**14,146**	61,695
Other comprehensive income:		
Exchange differences arising on translation of financial statements of subsidiaries established in the People's Republic of China (the "PRC")	**1,664**	8,190
Other comprehensive income for the year, net of tax	**1,664**	8,190
Total comprehensive income for the year	**15,810**	69,885
Total comprehensive income attributable to:		
Shareholders of the Company	**8,509**	65,625
Non-controlling interests	**7,301**	4,260
	15,810	69,885

Consolidated Statement of Financial Position

At 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14(a)	**63,445**	58,717
Prepaid land lease premium	15	**42,128**	43,056
Investment properties	16	**154,026**	120,730
Intangible assets	17	**16,504**	15,395
Goodwill	18	**79,870**	79,870
Interest in an associate	20	**697**	—
Other investment	21	**12,272**	—
Other receivables	24	**—**	600
		368,942	318,368
CURRENT ASSETS			
Inventories	22	**42,033**	27,373
Debtors	23	**87,099**	119,277
Deposits, prepayments and other receivables	24	**79,359**	169,679
Financial assets at fair value through profit or loss	25	**10,057**	14,571
Prepaid land lease premium	15	**1,202**	1,253
Tax recoverable		**816**	—
Pledged time deposits	26	**115,357**	114,736
Cash and bank balances	26	**341,535**	365,337
		677,458	812,226
DEDUCT:			
CURRENT LIABILITIES			
Bank loan, secured	27	**217,765**	217,765
Trade payable	28	**—**	75
Payable to merchants	29	**247,879**	328,650
Deposits received, sundry creditors and accruals	30	**67,168**	129,018
Tax payable		**3,473**	1,243
		536,285	676,751
NET CURRENT ASSETS		**141,173**	135,475

Consolidated Statement of Financial Position

At 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**510,115**	453,843
DEDUCT:			
NON-CURRENT LIABILITY			
Deferred tax liability	9(a)	**15,072**	13,122
NET ASSETS		**495,043**	440,721
REPRESENTING:			
CAPITAL AND RESERVES			
Share capital	32(a)	**17,396**	17,025
Reserves	34(a)	**433,189**	400,081
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		**450,585**	417,106
NON-CONTROLLING INTERESTS		**44,458**	23,615
TOTAL EQUITY		**495,043**	440,721

APPROVED AND AUTHORISED FOR ISSUE BY THE BOARD OF DIRECTORS ON 28 MARCH 2013

Chen Runqiang
DIRECTOR

Xu Hui
DIRECTOR

Statement of Financial Position

At 31 December 2012

	Note	**2012 HK$'000**	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14(b)	**3,329**	1,974
Interests in subsidiaries	19	**566,529**	538,686
		569,858	540,660
CURRENT ASSETS			
Deposits, prepayments and other receivables	24	**1,470**	24,773
Cash and bank balances		**2,044**	1,860
		3,514	26,633
DEDUCT:			
CURRENT LIABILITIES			
Bank loan, secured	27	**217,765**	217,765
Sundry creditors and accruals	30	**3,768**	872
Amounts due to subsidiaries	31	**36,899**	10,375
		258,432	229,012
NET CURRENT LIABILITIES		**(254,918)**	(202,379)
NET ASSETS		**314,940**	338,281
REPRESENTING:			
CAPITAL AND RESERVES			
Share capital	32(a)	**17,396**	17,025
Reserves	34(b)	**297,544**	321,256
TOTAL EQUITY		**314,940**	338,281

APPROVED AND AUTHORISED FOR ISSUE BY THE BOARD OF DIRECTORS ON 28 MARCH 2013

Chen Runqiang
DIRECTOR

Xu Hui
DIRECTOR

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		**17,168**	63,583
Adjustments for:			
Interest on bank deposits		**(10,235)**	(5,446)
Other interest income		**(4,594)**	(1,101)
Interest expenses		**6,131**	4,352
Dividend income		**(279)**	(264)
Depreciation		**12,360**	9,415
Amortisation of prepaid land lease premium		**1,221**	1,160
Amortisation of intangible assets		**637**	392
Share of results of an associate		**435**	—
Loss/(gain) on disposal of property, plant and equipment		**2,589**	(353)
Increase in fair value of investment properties		**(8,869)**	(2,105)
(Gain)/loss on change in fair value of financial assets		**(214)**	4,402
Gain on disposal of financial assets		**(2,840)**	(471)
Impairment loss on loan receivable		**693**	—
Write-off of intangible assets		**—**	3,978
Equity settled share-based payment expenses		**—**	4,944
Gain on bargain purchase		**(209)**	(3,710)
Operating profit before working capital changes		**13,994**	78,776
Increase in inventories		**(14,660)**	(10,510)
Decrease in debtors		**32,178**	109,199
Decrease in trade deposits		**—**	1,800
Decrease/(increase) in deposits, prepayments and other receivables		**91,451**	(131,169)
Decrease in trade payable		**(75)**	(24,771)
Decrease in payable to merchants		**(80,771)**	(10,982)
(Decrease)/increase in deposits received, sundry creditors and accruals		**(79,705)**	44,328
Cash (used in)/generated from operations		**(37,588)**	56,671
Bank interest received		**10,235**	5,446
Interest paid		**(6,131)**	(4,352)
Tax paid		**(2,929)**	(3,628)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES		**(36,413)**	54,137

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend received from investments		**279**	264
Other interest income received		**4,594**	1,101
Payments to acquire property, plant and equipment		**(19,170)**	(16,557)
Proceeds from disposal of property, plant and equipment		**—**	5,764
Payments to acquire investment properties		**(6,153)**	—
Payments to acquire prepaid land lease premium		**—**	(3,762)
Payments to acquire intangible assets		**(1,677)**	(7,819)
Refund of deposit paid for an investment		**—**	3,892
Capital injection into an other investment		**(12,272)**	—
Payments to acquire financial assets at fair value through profit or loss		**(19,827)**	(113,950)
Proceeds from disposal of financial assets at fair value through profit or loss		**27,418**	106,485
Net cash (outflow)/inflow arising on acquisition of a subsidiary	35(a)	**(726)**	47
Payment to acquire interest in an associate		**(1,107)**	—
Payments to acquire additional interests in a subsidiary	36(b)	**—**	(2,937)
Proceeds from disposal of partial interests in a subsidiary	36(a)	**45,011**	244
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		**16,370**	(27,228)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		**(17,046)**	(43,337)
Proceeds from shares issued under share option scheme		**15,558**	71,094
Payments for repurchase of own shares		**(1,812)**	(9,069)
New bank loans raised		**—**	217,765
Repayment of bank loan, secured		**—**	(50,691)
Increase in pledged time deposits		**—**	(114,736)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES		**(3,300)**	71,026
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(23,343)**	97,935
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET		**(459)**	187
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**365,337**	267,215
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**341,535**	365,337
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**341,535**	365,337

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to shareholders of the Company													
	Share capital HK$'000	**Share premium** HK$'000	**Capital redemption reserve** HK$'000	**Treasury shares reserve** HK$'000	**Capital reserve** HK$'000	**Special reserve** HK$'000	**Exchange reserve** HK$'000	**Share options reserve** HK$'000	**Statutory reserve** HK$'000	**Other reserve** HK$'000	**Retained profits** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total** HK$'000
At 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 and 1.1.2012	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
Transferred to retained profits	—	—	—	—	—	—	—	(16)	—	—	16	—	—	—
Shares issued under share option scheme	427	16,750	—	—	—	—	—	(1,619)	—	—	—	15,558	—	15,558
Dividend paid	—	—	—	—	—	—	—	—	—	—	(17,046)	(17,046)	—	(17,046)
Repurchased of own shares	(56)	(2,566)	56	810	—	—	—	—	—	—	(56)	(1,812)	—	(1,812)
Change in ownership interests in a subsidiary that do not result in a loss of control	—	—	—	—	—	—	—	—	—	28,270	—	28,270	13,542	41,812
Total comprehensive income for the year	—	—	—	—	—	—	1,520	—	—	—	6,989	8,509	7,301	15,810
Transferred to statutory reserve	—	—	—	—	—	—	—	—	6,255	—	(6,255)	—	—	—
At 31.12.2012	**17,396**	**303,110**	**481**	**—**	**1,093**	**10,754**	**6,716**	**4,556**	**16,008**	**28,407**	**62,064**	**450,585**	**44,458**	**495,043**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

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 dollars (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").

Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets
Amendments to HKAS 12	Recovery of Underlying Assets

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.

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2012. 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 profit or loss. 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.

(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.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2012

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Associate

An associate is an entity, not being a subsidiary or a joint venture, in which the Group is in a position to exercise significant influence, including participation in financial and operating policy decisions.

The results and assets and liabilities of an associate are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, the consolidated income statement includes the Group's share of the post-acquisition results of the associates and the consolidated statement of financial position includes the Group's share of the net assets of the associate, as reduced by any identified impairment losses.

(f) 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.

(g) Foreign currency translation

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

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 2012

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) 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.

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.

(i) 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 2012

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Intangible assets

(i) Research and development expenditure

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

An internally-generated intangible asset arising from development (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 2012

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) 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/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. 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.

(m) 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).

(n) 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 every 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 2012

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) 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 2012

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) 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.

(o) 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.

(p) 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.

(q) 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.

(r) 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 2012

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) 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.

(t) 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.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(j), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) 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.

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.

(v) 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) 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.

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.

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expenses.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

The following Hong Kong Financial Reporting Standards in issue at 31 December 2012 have not been applied in the preparation of the Group's consolidated financial statements for the year ended since they were not yet effective for the annual period beginning on 1 January 2012:–

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 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10	Investment Entities
Annual improvements to HKFRSs (2009–2011)	Amendments to HKAS 1, HKAS 16 and HKAS 32

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 32 and HKFRS 10 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 2012

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(o) 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(h) 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 2012

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 units 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 (2011: 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 2012 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 2012 was HK$154,026,000 (2011: HK$120,730,000). Details of the movement are provided in note 16 to the consolidated financial statements.

(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.

(vi) Other investment

During the year, the Group invested into a company which engaged in a property development project, which is included in its consolidated statement of financial position at 31 December 2012 at HK$12,272,000 (2011: Nil). The project is in a preliminary stage, therefore the Group has not appointed an independent professional valuer to assess the fair value of the investment. The investment will be closely monitored and adjustments made in future periods, if future market activity indicates that such adjustments are appropriate. Details of the other investment are provided in note 21 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

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

(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.

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:–

	2012	2011
	HK$'000	HK$'000
Payment solutions and related services income	**103,888**	206,283
Timber trading and furniture manufacturing	**18,631**	29,878
Rental and building management service income	**4,200**	4,178
Turnover	**126,719**	240,339
Interest on bank deposits	**10,235**	5,446
Other interest income	**4,594**	1,101
Government subsidy	**13,271**	—
Franchise fee income	**565**	360
Dividend income	**279**	264
Other revenue	**28,944**	7,171
Total revenue	**155,663**	247,510

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

5. OTHER INCOME

	2012 **HK$'000**	2011 HK$'000
Gain on disposal of financial assets	**2,840**	471
Gain on change in fair value of financial assets	**214**	—
Recovery of bad debts	**—**	118
Gain on disposal of property, plant and equipment	**—**	353
Exchange gain	**101**	1,092
Others	**3,362**	767
	6,517	2,801

6. PROFIT BEFORE INCOME TAX

	2012 **HK$'000**	2011 HK$'000
Profit before income tax is arrived at after charging/ (crediting):–		
(a) Finance costs		
Interest on bank loan wholly repayable within five years	**6,131**	4,352
Interest on bank overdraft	**10**	126
Bank charges	**5,387**	5,140
	11,528	9,618
(b) Other items		
Auditor's remuneration	**672**	565
Cost of inventories sold	**14,880**	24,184
Staff costs (including directors' remuneration)		
— Salaries and other benefits	**66,846**	54,563
— Pension scheme contributions	**10,374**	5,660
— Equity settled share-based payment expenses	**—**	4,526
	77,220	64,749
Depreciation	**12,360**	9,415
Impairment loss on loan receivable	**693**	—
Amortisation of intangible assets	**637**	392
Amortisation of prepaid land lease premium	**1,221**	1,160
(Gain)/loss on change in fair value of financial assets	**(214)**	4,402
Minimum operating lease rentals	**9,386**	3,637
Sale proceeds of property, plant and equipment	**—**	(5,764)
Less: Carrying amounts of property, plant and equipment	**2,589**	5,411
Loss/(gain) on disposal of property, plant and equipment	**2,589**	(353)
Gain on disposal of financial assets	**(2,840)**	(471)
Rental income less outgoings	**(3,543)**	(3,159)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

7. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS

(a) Directors

The remuneration of each Director for the year ended 31 December 2012 and 31 December 2011 are set out below:–

	Year ended 31 December 2012					
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. Chen Runqiang (note ii)	**34**	**822**	**—**	**856**	**—**	**856**
Mr. Xu Hui (note iii)	**48**	**1,202**	**—**	**1,250**	**—**	**1,250**
Mr. Lau Yeung Sang	**108**	**9**	**—**	**117**	**—**	**117**
Mr. Liu Ruisheng (note v)	**24**	**—**	**—**	**24**	**—**	**24**
Mr. Zhou Jianhui (note iv)	**2**	**181**	**—**	**183**	**—**	**183**
Mr. Chen Jinyang (note iv)	**2**	**181**	**—**	**183**	**—**	**183**
Madam Ren Lili (note vii)	**12**	**24**	**2**	**38**	**—**	**38**
Madam Luan Yumin (note vi)	**37**	**673**	**54**	**764**	**—**	**764**
Mr. Chang Hung Lun (note vi)	**42**	**500**	**9**	**551**	**—**	**551**
Mr. Chow Cheuk Lap	**300**	**—**	**—**	**300**	**—**	**300**
Mr. Meng Lihui	**300**	**35**	**—**	**335**	**—**	**335**
Mr. Fong Heung Sang	**300**	**35**	**—**	**335**	**—**	**335**
Dr. Cheung Wai Bun, Charles, *J.P.*	**240**	**26**	**—**	**266**	**—**	**266**
	1,449	**3,688**	**65**	**5,202**	**—**	**5,202**

	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 (note v)	54	—	—	54	—	54
Madam Luan Yumin (note vi)	54	591	82	727	—	727
Madam Ren Lili (note vii)	60	388	84	532	—	532
Mr. Chang Hung Lun (note vi)	50	432	12	494	—	494
Mr. Chow Cheuk Lap	58	—	—	58	—	58
Mr. Meng Lihui	75	—	—	75	—	75
Mr. Wan Xieqiu (note viii)	9	—	—	9	—	9
Mr. Fong Heung Sang	91	—	—	91	—	91
Mr. Liu Ji (note ix)	41	—	—	41	—	41
Dr. Cheung Wai Bun, Charles, *J.P.*	77	—	—	77	—	77
	677	1,411	183	2,271	—	2,271

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

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 the income statement during the period disregarding whether the options have been exercised or not.

ii. Appointed on 8 June 2012.

iii. Appointed on 12 March 2012.

iv. Appointed on 18 December 2012.

v. Resigned on 8 June 2012.

vi. Resigned on 10 September 2012.

vii. Resigned on 12 March 2012.

viii. Resigned on 23 February 2011.

ix. Resigned on 6 September 2011.

No Directors waived any emolument during the year.

(b) Five highest paid individuals

Among the five highest paid individuals of the Group, of which three (2011: Nil) are Directors of the Company and the details of their remuneration have already been disclosed above.

The emoluments and designated band of the remaining two (2011: Five) non-Directors, highest paid employees were as follows:–

	2012 **HK$'000**	2011 HK$'000
Salaries, allowances and other benefits in kind	**1,860**	2,260
Pension scheme contributions	**79**	158
Equity settled share-based payment expenses	**—**	524
	1,939	2,942

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

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

(b) Five highest paid individuals *(continued)*

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

	2012	2011
HK$		
Nil to 1,000,000	**1**	5
1,000,001 to 1,500,000	**1**	—
	2	5

During the year, no share option (2011: 16,300,000 share options) was granted to the above highest paid employees in respect of their services to the Group.

During the year, no emolument was 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.

8. INCOME TAX EXPENSE

(a) Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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% (2011: 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

8. INCOME TAX EXPENSE *(continued)*

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

	2012 **HK$'000**	2011 HK$'000
Current tax:–		
Current year	**596**	1,102
Under-provision in respect of previous year	**547**	155
	1,143	1,257
Deferred taxation:–		
Current year – note 9(a)	**2,419**	631
Over-provision in respect of previous year – note 9(a)	**(540)**	—
	1,879	631
	3,022	1,888

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

	Hong Kong		**PRC**		**Total**	
	2012 **HK$'000**	2011 HK$'000	**2012** **HK$'000**	2011 HK$'000	**2012** **HK$'000**	2011 HK$'000
Profit/(loss) before income tax	**(25,408)**	2,412	**42,576**	61,171	**17,168**	63,583
Applicable tax rate (%)	**16.5**	16.5	**25**	25	**N/A**	N/A
Tax on profit/(loss) before income tax, calculated at the applicable tax rate	**(4,192)**	398	**10,644**	15,293	**6,452**	15,691
Tax effect of non-deductible expenses in determining taxable profit	**2,181**	1,207	**1,947**	767	**4,128**	1,974
Tax effect of non-taxable revenue in determining taxable profit	**(30)**	(2,214)	**(1,043)**	(43)	**(1,073)**	(2,257)
Tax effect of unrecognised (accelerated)/ decelerated depreciation allowances	**20**	(184)	**(70)**	539	**(50)**	355
Tax effect of unrecognised tax losses	**2,021**	2,248	**940**	1,430	**2,961**	3,678
Tax effect of utilisation of tax losses	**—**	(712)	**—**	(249)	**—**	(961)
Tax effect on tax free concession	**—**	—	**(9,403)**	(16,747)	**(9,403)**	(16,747)
(Over)/under-provision in respect of previous year	**(10)**	—	**557**	155	**547**	155
Over-provision of deferred tax in previous year	**—**	—	**(540)**	—	**(540)**	—
Income tax expense	**(10)**	743	**3,032**	1,145	**3,022**	1,888

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

9. DEFERRED TAXATION

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

	Unutilised tax losses HK$'000	Accelerated depreciation allowances of property, plant and equipment and revaluation of investment properties HK$'000	Total HK$'000
At 1.1.2011	127	(12,188)	(12,061)
Charged to profit or loss — note 8(b)	(130)	(501)	(631)
Exchange adjustments	3	(433)	(430)
At 31.12.2011 and 1.1.2012	—	(13,122)	(13,122)
Charged to profit or loss — note 8(b)	—	(2,419)	(2,419)
Over-provision in respect of previous year — note 8(b)	—	540	540
Exchange adjustments	—	(71)	(71)
At 31.12.2012	**—**	**(15,072)**	**(15,072)**

(b) The components of unrecognised deductible/(taxable) temporary difference of the Group is as follows:–

	The Group		The Company	
	2012 **HK$'000**	2011 HK$'000	**2012** **HK$'000**	2011 HK$'000
Deductible temporary differences — notes (i) and (ii)				
Decelerated tax allowances	**1,474**	1,866	**—**	—
Unutilised tax losses	**58,868**	42,861	**37,669**	18,180
	60,342	44,727	**37,669**	18,180
Taxable temporary difference — note (iii)				
Accelerated tax allowances	**(278)**	(202)	**(166)**	(181)
	60,064	44,525	**37,503**	17,999

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

9. DEFERRED TAXATION *(continued)*

(b) *(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$11,446,000 (2011: HK$7,686,000) 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 difference has 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$19,231,000 (2011: HK$6,367,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's (loss)/profit for the year:–

	2012 HK$'000	2011 HK$'000
Amount of consolidated loss attributable to shareholders dealt with in the Company's financial statements	**(19,231)**	(6,367)
Interim dividend from a subsidiary attributable to the profits, approved and paid during the year	**—**	37,108
Company's (loss)/profit for the year	**(19,231)**	30,741

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

11. DIVIDEND

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

	2012 **HK$'000**	2011 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK1.00 cent per share (2011: HK0.60 cent per share)	**17,046**	9,229

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

	2012 **HK$'000**	2011 HK$'000
No interim dividend was declared and paid (2011: HK0.80 cent per share)	—	13,640
No special dividend was declared and paid (2011: HK1.20 cent per share)	—	20,468
No final dividend was proposed after the end of the reporting period (2011: HK1.00 cent per share)	—	16,969
	—	51,077

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

12. EARNINGS PER SHARE

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

	2012 HK$'000	2011 HK$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**6,989**	58,145

	2012	2011
Number of shares		
Weighted average number of shares in issue for the purpose of calculation of basic earnings per share	**1,710,675,060**	1,620,559,707
Effect of dilutive potential ordinary shares:–		
Share options	**5,580,560**	8,700,471
Weighted average number of shares in issue for the purpose of calculation of diluted earnings per share	**1,716,255,620**	1,629,260,178

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 2012 amounted to HK$234,000 (2011: HK$215,000).

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 2012 amounted to HK$10,140,000 (2011: HK$5,445,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

14. PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Leasehold land HK$'000	Properties held under medium-term lease HK$'000	Plant and machinery HK$'000	Leasehold improvement HK$'000	Office equipment, computer and other equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1.1.2011								
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 35(b)	—	—	—	—	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
For the year ended 31.12.2012								
Opening net book value	—	22,618	1,500	17,124	11,775	39	5,661	58,717
Exchange adjustments	—	114	8	94	267	—	24	507
Additions	—	5,568	3	3,615	5,025	547	4,412	19,170
Disposals	—	—	—	(9)	(1,174)	(22)	(1,384)	(2,589)
Depreciation	—	(1,263)	(197)	(5,121)	(3,877)	(106)	(1,796)	(12,360)
Closing net book value	—	27,037	1,314	15,703	12,016	458	6,917	63,445
At 31.12.2012								
Cost	**—**	**30,196**	**1,795**	**26,773**	**32,766**	**676**	**10,389**	**102,595**
Aggregate depreciation	**—**	**(3,159)**	**(481)**	**(11,070)**	**(20,750)**	**(218)**	**(3,472)**	**(39,150)**
Net book value	**—**	**27,037**	**1,314**	**15,703**	**12,016**	**458**	**6,917**	**63,445**

At 31 December 2012, property held under medium-term lease with a net book value of HK$17,409,000 (2011: HK$18,313,000) were pledged to a bank to secure a bank loan granted to the Company (note 27).

Notes to the Consolidated Financial Statements

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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 1.1.2011					
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
For the year ended 31.12.2012					
Opening net book value	9	31	60	1,874	1,974
Additions	1,693	314	456	—	2,463
Disposals	(9)	(5)	(22)	—	(36)
Depreciation	(486)	(54)	(93)	(439)	(1,072)
Closing net book value	1,207	286	401	1,435	3,329
At 31.12.2012					
Cost	**1,693**	**373**	**541**	**2,191**	**4,798**
Aggregate depreciation	**(486)**	**(87)**	**(140)**	**(756)**	**(1,469)**
Net book value	**1,207**	**286**	**401**	**1,435**	**3,329**

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15. PREPAID LAND LEASE PREMIUM — THE GROUP

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

	2012 **HK$'000**	2011 HK$'000
Outside Hong Kong, held under medium-term lease	**43,330**	44,309
Less: Current portion	**(1,202)**	(1,253)
Non-current portion	**42,128**	43,056
Representing:		
Opening net book value	**44,309**	40,258
Exchange adjustments	**242**	1,449
Additions	**—**	3,762
Amortisation	**(1,221)**	(1,160)
Closing net book value	**43,330**	44,309

At 31 December 2012, prepaid land lease premium with a net book value of HK$40,079,000 (2011: HK$44,309,000) was pledged to a bank to secure a bank loan granted to the Company (note 27).

16. INVESTMENT PROPERTIES — THE GROUP

	HK$'000
At 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 and 1.1.2012	120,730
Increase in fair value recognised in the consolidated income statement	8,869
Acquisition of a subsidiary — note 35(a)	17,566
Additions	6,153
Exchange adjustments	708
At 31.12.2012	**154,026**

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 2012 were valued by BMI Appraisals Limited, an independent valuer, on an open market value basis.

(c) The investment properties with carrying value of HK$130,046,000 (2011: HK$120,730,000) were pledged to a bank to secure a bank loan granted to the Company (note 27).

Notes to the Consolidated Financial Statements

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17. INTANGIBLE ASSETS — THE GROUP

	Development cost HK$'000	**Computer software and technology** HK$'000	**Domain name** HK$'000	**Total** HK$'000
At 1.1.2011				
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)
Disposals	(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
For the year ended 31.12.2012				
Opening net book value	6,950	5,763	2,682	15,395
Additions	1,677	—	—	1,677
Amortisation	—	(637)	—	(637)
Exchange adjustments	37	32	—	69
Closing net book value	8,664	5,158	2,682	16,504
At 31.12.2012				
Cost	**8,664**	**6,360**	**2,682**	**17,706**
Accumulated amortisation	**—**	**(1,202)**	**—**	**(1,202)**
Net book value	**8,664**	**5,158**	**2,682**	**16,504**

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18. GOODWILL — THE GROUP

	HK$'000
Cost:–	
At 1.1.2011, 31.12.2011, 1.1.2012 and 31.12.2012	**79,893**
Impairment loss:–	
At 1.1.2011, 31.12.2011, 1.1.2012 and 31.12.2012	**23**
Net book value:–	
At 31.12.2012	**79,870**
At 31.12.2011	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:–

	2012 **HK$'000**	2011 HK$'000
Payment platform 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 CGUs 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 13.72% 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%.

Notes to the Consolidated Financial Statements

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19. INTERESTS IN SUBSIDIARIES — THE COMPANY

	2012 HK$'000	2011 HK$'000
Unlisted shares, at cost	**153,704**	153,704
Amounts due from subsidiaries — note 19(b)	**412,825**	384,982
	566,529	538,686

Notes:–

(a) The details of the principal subsidiaries at 31 December 2012 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 Ltd	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
Shanghai Zhuofu Technologies Company Limited	People's Republic of China	RMB1,000,000	—	100%	Not yet commenced business

* 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.

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20. INTEREST IN AN ASSOCIATE — THE GROUP

	2012 HK$'000	2011 HK$'000
Share of net assets	**697**	—

Name of company	Place of establishment and operation	Particulars of registered capital	Attributable equity interest held by the Company directly	Principal activities
OEC Consultant (Shanghai) Company Limited	People's Republic of China	RMB3,000,000	28.42%	Provision of financial advisory services

Summary of financial information on an associate:

2012	Asset HK$'000	Liabilities HK$'000	Equity HK$'000	Revenue HK$'000	Loss HK$'000
100%	**2,810**	**358**	**2,452**	**122**	**(1,475)**
Group's effective interest	**799**	**102**	**697**	**35**	**(435)**

21. OTHER INVESTMENT — THE GROUP

At 31 December 2012, other investment of HK$12,272,000 (2011: Nil) represents capital injection paid by the Group in connection with the acquisition of 8.63% equity interests of a company, incorporated in the PRC. This investment is made through a trust arrangement and paid through a company which is controlled by a key personnel management of the Group. At the date of the transaction, the key personnel management had no relationship with the Group. Additional capital will be injected and details are disclosed in note 37(b)(i) to the consolidated financial statements.

22. INVENTORIES — THE GROUP

	2012 HK$'000	2011 HK$'000
Raw materials	**3,729**	2,432
Work in progress	**13,821**	17,034
Finished goods	**24,483**	7,907
	42,033	27,373

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23. DEBTORS — THE GROUP

Apart from payment solutions business, 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. For payment solutions business, as the Group is playing the role as an agent on behalf of the merchants for collection of payments, there is no significant credit risk (note 29).

An ageing analysis of debtors is set out below:–

	2012 **HK$'000**	2011 HK$'000
0–6 months	**41,153**	119,142
7–12 months	**688**	—
1–2 year	**45,123**	135
Over two years	**135**	—
	87,099	119,277
Neither past due nor impaired	**41,153**	119,142
Past due but not impaired	**45,946**	135
	87,099	119,277

Debtors that were neither past due nor impaired relate to tenants and a wide range of customers for timber trading and furniture manufacturing business and service providers of payment solutions business for whom there were no recent history of default.

Debtors that were past due but not impaired included an amount of HK$135,000 which was related to a number of independent customers of timber trading and furniture manufacturing business that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Debtors that were past due but not impaired included an amount of HK$45,811,000 which was related to a service provider of payment solutions business. As the Group was playing the role as an agent on behalf of the merchants for collection of payments, thus no impairment allowance was necessary in respect of this balance.

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For the year ended 31 December 2012

24. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Utilities and deposits	**2,296**	5,013	**873**	304
Prepayments	**18,614**	19,343	**312**	1,393
Secured loans receivable — note (i)	**31,204**	26,674	**—**	—
Unsecured loans receivable — note (ii)	**4,909**	53,869	**—**	—
Other receivables	**23,029**	65,380	**285**	23,076
	80,052	170,279	**1,470**	24,773
Less: impairment loss on loan receivable — note (iii)	**(693)**	—	**—**	—
	79,359	170,279	**1,470**	24,773
Less: non-current portion — note (i)	**—**	(600)	**—**	—
Current portion	**79,359**	169,679	**1,470**	24,773

Notes:–

(i) Secured loans receivable are interest-bearing at 0.50%-0.80% per month or 7% per quarter (2011: Except for an amount of HK$20,000,000 which was interest-free, the remaining balance was interest-bearing at 0.80% per month) and repayable within one year (2011: Except for an amount of HK$600,000 which was repayable after one year, the remaining balance was repayable within one year).

(ii) Unsecured loans receivable are interest-free (2011: Except for an amount of HK$32,565,000 which was interest-bearing at 1% per month, the remaining balance was interest-free) and repayable within one year.

(iii) The movement in the impairment loss on loan receivable during the year is as follows:-

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1 January	**—**	—	**—**	—
Impairment loss recognised	**693**	—	**—**	—
At 31 December	**693**	—	**—**	—

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS — THE GROUP

	2012	2011
	HK$'000	HK$'000
Listed securities:–		
Equity securities — Hong Kong	**5,166**	10,244
Equity securities — PRC	**4,891**	4,327
Market value of listed securities	**10,057**	14,571

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26. PLEDGED TIME DEPOSITS AND CASH AND BANK BALANCES — THE GROUP

Pledged time deposits of HK$115,357,000 (2011: HK$114,736,000) represents deposits pledged to a bank to secure a bank loan granted to the Company (note 27). They carry interest at a floating rate and will be released upon settlement of relevant bank loan.

At 31 December 2012, pledged time deposits and cash and bank balances of the Group denominated in Renminbi amounted to HK$417,479,000 (2011: HK$416,551,000). 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.

27. BANK LOAN, SECURED

	The Group and the Company	
	2012	2011
	HK$'000	HK$'000
Due for payment:–		
Within one year	**217,765**	217,765

The secured bank loan is interest-bearing at 2.5% (2011: 2.3%) plus Hong Kong Interbank Offered Rate per annum, repayable within one year, denominated in Hong Kong dollar and secured by (i) property held under medium-term lease with a net book value of HK$17,409,000 (note 14(a)); (ii) prepaid land lease premium with a net book value of HK$40,079,000 (note 15); (iii) investment properties with a carrying value of HK$130,046,000 (note 16); and (iv) time deposits of HK$115,357,000 (note 26).

28. TRADE PAYABLE — THE GROUP

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

	2012	2011
	HK$'000	HK$'000
0–12 months	**—**	—
Over one year	**—**	75
	—	75

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29. PAYABLE TO MERCHANTS — THE GROUP

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

	2012 HK$'000	2011 HK$'000
0–12 months	**191,634**	328,567
Over one year	**56,245**	83
	247,879	328,650

30. DEPOSITS RECEIVED, SUNDRY CREDITORS AND ACCRUALS

	The Group		The Company	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Deposits received and receipts in advance	**44,665**	17,616	**—**	—
Accruals	**9,308**	2,963	**1,940**	872
Sundry creditors	**13,195**	108,439	**1,828**	—
	67,168	129,018	**3,768**	872

31. AMOUNTS DUE TO SUBSIDIARIES — THE COMPANY

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

Notes to the Consolidated Financial Statements

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32. 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 2011, 31 December 2011 and 31 December 2012		**5,000,000,000**	**50,000**
Issued and fully paid:–			
At 1 January 2011		1,544,148,858	15,441
Shares issued under share option schemes		184,280,000	1,843
Repurchased of own shares		(25,920,000)	(259)
At 31 December 2011 and 1 January 2012		1,702,508,858	17,025
Shares issued under share option schemes	(i)	42,700,000	427
Repurchased of own shares	(ii)	(5,630,000)	(56)
At 31 December 2012		**1,739,578,858**	**17,396**

Notes:–

(i) During the year ended 31 December 2012, 42,700,000 share options were exercised by the eligible option holders, resulting in the issue of 42,700,000 shares of HK$0.01 each of the Company at a total consideration of HK$15,558,000.

(ii) During the year ended 31 December 2012, 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 2012	3,880,000	0.475	0.460	1,812

During the year ended 31 December 2012, a total of 3,880,000 shares were repurchased at an aggregate price paid of HK$1,812,000.

During the year ended 31 December 2011, a total of 27,670,000 shares were repurchased but only 25,920,000 repurchased shares were cancelled. The remaining 1,750,000 repurchased shares with and aggregate price paid of HK$810,000 were cancelled on 17 February 2012.

The 3,880,000 repurchased shares and the 1,750,000 shares repurchased in 2011 were cancelled in 2012 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$56,000 was transferred from retained profits to the capital redemption reserve. The premium paid on the repurchase of the shares in 2012 and 2011 of HK$1,773,000 and HK$793,000 respectively were charged to the share premium account.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

32. 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 (excludes deferred tax liability) over total assets. The gearing ratios at 31 December 2012 and at 31 December 2011 were as follows:–

	2012 **HK$'000**	2011 HK$'000
Total liabilities	**536,285**	676,751
Total assets	**1,046,400**	1,130,594
Gearing ratio	**51.25%**	59.86%

33. 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.

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33. 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 2012 is as follows:–

			Number of share options						
Date of grant	Exercise period	Exercise price	Outstanding at 1 January 2011	Exercised during the year	Lapsed during the year	Outstanding at 1 January 2012	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2012
7 February 2002	7 February 2002 to 6 February 2012	HK$1.300	350,000	—	(150,000)	200,000	—	(200,000)	—
9 April 2002	9 April 2002 to 8 April 2012	HK$1.400	70,000	—	(20,000)	50,000	—	(50,000)	—
22 February 2008	22 February 2008 to 21 February 2011	HK$0.300	3,780,000	—	(3,780,000)	—	—	—	—
	22 February 2009 to 21 February 2011	HK$0.300	3,780,000	—	(3,780,000)	—	—	—	—
	22 February 2010 to 21 February 2011	HK$0.300	3,780,000	—	(3,780,000)	—	—	—	—
9 April 2010	9 April 2010 to 8 April 2012	HK$0.390	60,000,000	(53,780,000)	(20,000)	6,200,000	(6,200,000)	—	—
			71,760,000	(53,780,000)	(11,530,000)	6,450,000	(6,200,000)	(250,000)	—

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For the year ended 31 December 2012

33. SHARE OPTIONS *(continued)*

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

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

	2012		2011	
	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	**0.435**	**6,450,000**	0.382	71,760,000
Exercised during the year	**0.390**	**(6,200,000)**	0.390	(53,780,000)
Lapsed during year	**1.320**	**(250,000)**	0.315	(11,530,000)
Outstanding at the end of year	—	—	0.435	6,450,000
Exercisable at the end of year	—	—	0.435	6,450,000

The weighted average share price at the dates of exercise for share options exercised during the year was HK$0.416 (2011: HK$0.490).

The closing price of the Company's share immediately before the dates in which the options were exercised ranged from HK$0.420 to HK$0.455 (2011: HK$0.340 to HK$0.690).

(iii) No options under the GEM Share Option Schemes was granted during the year ended 31 December 2012 and 31 December 2011.

(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.

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33. 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.

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 2012 is as follows:–

			Number of share options							
Date of grant	Exercise period	Exercise price	Outstanding at 1 January 2011	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 1 January 2012	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2012
31 August 2010	31 August 2010 to 31 August 2013	HK$0.360	155,520,000	—	(114,800,000)	(870,000)	39,850,000	(36,500,000)	(200,000)	3,150,000
19 May 2011	19 May 2011 to 18 May 2013	HK$0.560	—	153,820,000	(15,700,000)	—	138,120,000	—	(250,000)	137,870,000
			155,520,000	153,820,000	(130,500,000)	(870,000)	177,970,000	(36,500,000)	(450,000)	141,020,000

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

	2012		2011	
	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	**0.515**	**177,970,000**	0.360	155,520,000
Granted during the year	**—**	**—**	0.560	153,820,000
Exercised during the year	**0.360**	**(36,500,000)**	0.384	(130,500,000)
Lapsed during the year	**0.471**	**(450,000)**	0.360	(870,000)
Outstanding at the end of year	**0.555**	**141,020,000**	0.515	177,970,000
Exercisable at the end of year	**0.555**	**141,020,000**	0.515	177,970,000

Notes to the Consolidated Financial Statements
For the year ended 31 December 2012

33. SHARE OPTIONS *(continued)*

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

(ii) *(continued)*

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

The weighted average share price at the dates of exercise for the share options exercised during the year was HK$0.463 (2011: HK$0.510).

The closing price of the Company's share immediately before the dates in which the options were exercised ranged from HK$0.435 to HK$0.490 (2011: HK$0.410 to HK$0.690).

(iii) Fair value of share options granted

No option under the New Share Option Scheme was granted during the year ended 31 December 2012.

Fair value of share options granted during the year ended 31 December 2011 was as follows: –

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$0.03214
Share price	HK$0.430
Exercise price	HK$0.560
Expected volatility	58.41%
Expected dividend	0.70%
Risk-free interest rate	0.511%

The expected volatility is based on the historic 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.

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For the year ended 31 December 2012

34. 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 1.1.2011	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 subsidiaries 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 and 1.1.2012	288,926	425	(810)	1,093	10,754	5,196	6,191	9,753	137	78,416	400,081
Equity settled share-based transactions											
Transferred to retained profits	—	—	—	—	—	—	(16)	—	—	16	—
Shares issued under share option scheme	16,750	—	—	—	—	—	(1,619)	—	—	—	15,131
Dividend paid	—	—	—	—	—	—	—	—	—	(17,046)	(17,046)
Repurchased of own shares	(2,566)	56	810	—	—	—	—	—	—	(56)	(1,756)
Change in ownership interests in a subsidiary that do not result in a loss of control	—	—	—	—	—	—	—	—	28,270	—	28,270
Total comprehensive income for the year	—	—	—	—	—	1,520	—	—	—	6,989	8,509
Transferred to statutory reserve	—	—	—	—	—	—	—	6,255	—	(6,255)	—
At 31.12.2012	**303,110**	**481**	**—**	**1,093**	**10,754**	**6,716**	**4,556**	**16,008**	**28,407**	**62,064**	**433,189**

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$6,255,000 (2011: HK$236,000) from retained profits to general reserve fund.

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For the year ended 31 December 2012

34. RESERVES *(continued)*

(b) The Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Share options reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 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 and 1.1.2012	296,490	425	6,191	18,150	321,256
Transferred to retained profits	—	—	(16)	16	—
Shares issued under share option scheme	16,750	—	(1,619)	—	15,131
Dividend paid	—	—	—	(17,046)	(17,046)
Repurchased of own shares	(2,566)	56	—	(56)	(2,566)
Total comprehensive loss for the year	—	—	—	(19,231)	(19,231)
At 31.12.2012	**310,674**	**481**	**4,556**	**(18,167)**	**297,544**

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 2012, in the opinion of the Directors, the reserves of the Company available for distribution to shareholders amounted to HK$292,507,000 (2011: HK$314,640,000) subject to the restrictions as stated above.

Notes to the Consolidated Financial Statements

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35. ACQUISITION OF A SUBSIDIARY

(a) On 30 August 2012, the Group acquired the entire 100% equity interests in Shanghai Zhuofu Technologies Company Limited, a company incorporated in the PRC, at a cash consideration of HK$927,000.

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:–	
Investment property — note 16	**17,566**
Other receivables	**1,224**
Cash and bank balances	**201**
Other payables and accruals	**(17,855)**
	1,136
Gain on bargain purchase	**(209)**
Purchase consideration satisfied by cash	**927**
Cash and cash equivalents acquired	**201**
Cash consideration paid	**(927)**
Net cash outflow arising on acquisition	**(726)**

The Group recognised a gain on bargain purchase of HK$209,000 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 profit of HK$127,000 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 2012, total Group's turnover for the period would have been HK$126,719,000, and profit for the year would have been HK$14,064,000. 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 2012 nor is intended to be a projection of future results.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

35. ACQUISITION OF A SUBSIDIARY *(continued)*

(b) On 20 December 2011, the Group acquired the entire 100% equity interests 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

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36. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

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

(i) On 17 September 2012, the Group disposed of 7.5% equity interests in a subsidiary at a consideration of RMB36,750,000 (equivalent to HK$45,011,000). The carrying amount of the non-controlling interests in this subsidiary on the date of disposal was HK$13,542,000. The Group recognised an increase in non-controlling interests of HK$13,542,000 and an increase in equity attributable to shareholders of the Company of HK$28,270,000. 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:–

	HK$'000
Carrying amount of non-controlling interests disposed of	**(13,542)**
Consideration received from non-controlling interests	**45,011**
Income tax effect	**(3,199)**
Changes recognised on disposal within equity	**28,270**

(ii) 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:–

	HK$'000
Carrying amount of non-controlling interests disposed of	(208)
Consideration received from non-controlling interests	244
Changes recognised on disposal within equity	36

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

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

(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 an increase 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:–

	HK$'000
Carrying amount of non-controlling interests acquired	3,038
Consideration paid to non-controlling interests	(2,937)
Changes recognised on disposal within equity	101

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

	2012 HK$'000	2011 HK$'000
Total comprehensive income for the year attributable to shareholders of the Company	**8,509**	65,625
Changes in equity attributable to shareholders of the Company arising from:		
— Acquisition of additional interests in a subsidiary	**—**	101
— Disposal of interests in a subsidiary without loss of control	**28,270**	36
Net effect for transactions with non-controlling interests on changes in equity attributable to shareholders of the Company	**28,270**	137
	36,779	65,762

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

37. COMMITMENTS

(a) Operating lease arrangements

(i) The Group

As lessor

At 31 December 2012, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:–

	2012 **HK$'000**	2011 HK$'000
Within one year	**2,378**	4,264
After one year but within five years	**6,120**	7,831
Over five years	**4,964**	9,588
	13,462	21,683

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

As lessee

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

	2012 **HK$'000**	2011 HK$'000
Within one year	**8,304**	6,850
After one year but within five years	**9,632**	14,803
	17,936	21,653

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

37. COMMITMENTS *(continued)*

(a) Operating lease arrangements *(continued)*

(ii) The Company

As lessee

At 31 December 2012, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating lease which falls due as follows:–

	2012 **HK$'000**	2011 HK$'000
Within one year	**2,392**	3,032
After one year but within five years	**2,391**	5,104
	4,783	8,136

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.

(b) Capital commitments

(i) The Group

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

	2012 **HK$'000**	2011 HK$'000
Acquisition of property, plant and equipment	**784**	—
Investment	**12,272**	—

On 28 March 2012, a wholly-owned subsidiary of the Company entered into an agreement to acquire 8.63% equity interests of a company incorporated in the PRC at a total consideration of RMB20,000,000 (equivalent to HK$24,544,000). At 31 December 2012, RMB10,000,000 (equivalent to HK$12,272,000) was paid and the remaining RMB10,000,000 (equivalent to HK$12,272,000) was contracted for but not yet paid.

(ii) The Company

At 31 December 2012, the Company had no capital commitment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

38. 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.

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

The Group was not exposed to significant credit risk from debtors arising from online platform as 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. In addition, the Group is playing the role as an agent on behalf of the merchants for collection of payment.

The Group

Carrying amounts of financial assets at 31 December 2012, which represented the amounts of maximum exposure to credit risk, were as follows:–

	2012	2011
	HK$'000	HK$'000
Debtors	**87,099**	119,277
Deposits and other receivables	**60,745**	150,936
Pledged time deposits	**115,357**	114,736
Cash and bank balances	**341,535**	365,337
	604,736	750,286

Except for an amount of HK$45,946,000 (2011: HK$135,000) which was past due, the Directors are satisfied with the credit quality of financial assets.

Notes to the Consolidated Financial Statements

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

(a) Credit risk *(continued)*

The Company

	2012 **HK$'000**	2011 HK$'000
Amounts due from subsidiaries	**412,825**	384,982
Deposits and other receivables	**1,158**	23,380
Cash and bank balances	**2,044**	1,860
	416,027	410,222

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.

(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 2012 were as follows:–

	2012 **HK$'000**	2011 HK$'000
Total amounts of contractual undiscounted obligations:		
Bank loan, secured	**217,765**	217,765
Trade payable	**—**	75
Payable to merchants	**247,879**	328,650
Sundry creditors and accruals	**48,492**	111,402
	514,136	657,892
Due for payment:		
Within one year or on demand	**514,136**	657,892

Notes to the Consolidated Financial Statements

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38. 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 2012 were as follows:–

	2012 **HK$'000**	2011 HK$'000
Total amounts of contractual undiscounted obligations:–		
Bank loan, secured	**217,765**	217,765
Sundry creditors and accruals	**3,768**	872
Amounts due to subsidiaries	**36,899**	10,375
	258,432	229,012
Financial guarantee issued:–		
Maximum amount guarantee — note 40	**6,000**	77,996
	264,432	307,008
Due for payment:–		
Within one year or on demand	**264,432**	307,008

(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.

Notes to the Consolidated Financial Statements
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38. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS *(continued)*

(c) Currency risk *(continued)*

Carrying amounts of financial assets and financial liabilities at 31 December 2012 exposed to currency risk were as follows:–

The Group

	2012 **HK$'000**	2011 HK$'000
Financial assets denominated in foreign currencies:–		
Debtors	**45,820**	61,826
Deposits and other receivables	**133**	10,508
Cash and bank balances	**24,964**	16,863
	70,917	89,197
Financial liabilities denominated in foreign currencies:–		
Payable to merchants	**54,013**	89,049
Sundry creditors and accruals	**2,565**	4,917
	56,578	93,966
Net financial assets/(liabilities) exposed to currency risk	**14,339**	(4,769)

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

	2012 **HK$'000**	2011 HK$'000
Singapore dollars	**101**	—
United States dollars	**16,760**	(59,993)
Renminbi	**(2,522)**	55,224
	14,339	(4,769)

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.

Notes to the Consolidated Financial Statements

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

(c) Currency risk *(continued)*

The Group *(continued)*

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 2012 devalue by 10% against Renminbi and Singapore dollars, the carrying amount of the net financial assets (2011: liabilities) of the Group exposed to currency risk at 31 December 2012 determined in accordance with HKAS 21 "The Effects of Changes in Foreign Exchange Rates" would be decreased, and hence the equity at 31 December 2012 would be decreased by HK$242,000 (2011: increased by HK$5,522,000); and profit for the year ended 31 December 2012 would be decreased by HK$242,000 (2011: increased by HK$5,522,000).

The Company

	2012 **HK$'000**	2011 HK$'000
Financial asset denominated in foreign currencies:–		
Cash and bank balances	**42**	87
Net financial asset exposed to currency risk	**42**	87

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

United States dollars	**—**	15
Renminbi	**42**	72
	42	87

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 2012 devalue by 10% against Renminbi, the carrying amount of the net financial asset of the Company exposed to currency risk at 31 December 2012 determined in accordance with HKAS 21 "The Effects of Changes in Foreign Exchange Rates" would be increased, and hence the equity at 31 December 2012 would be increased by HK$4,000 (2011: HK$7,000); and the loss (2011: profit) for the year ended 31 December 2012 would be decreased by HK$4,000 (2011: increased by HK$7,000).

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38. 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 price 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 25). 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 2012 would be increased/decreased by HK$1,006,000 (2011: HK$1,435,000); and hence the equity at 31 December 2012 would be increased/decreased by HK$1,006,000 (2011: HK$1,435,000) 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 secured bank loan. The bank balances bear interest at rates varied with the then prevailing market condition. If the market interest rate at 31 December 2012 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.

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For the year ended 31 December 2012

38. 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 2012, the only financial instruments of the Group carried at fair value were financial assets at fair value through profit or loss of HK$10,057,000 (2011: HK$14,571,000) listed on the Stock Exchange and Shanghai Stock Exchange (see note 25). These instruments fall into Level 1 of the fair value hierarchy described above.

During the year ended 31 December 2012, there were no significant transfers between financial instruments in level 1 and level 2.

(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 2012 and 2011.

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39. CONNECTED AND RELATED PARTY TRANSACTIONS

(a) On 8 June 2012, the Group disposed of 7.5% equity interests in a subsidiary to Beihai Shiji Information Technology Co., Ltd ("Beihai Shiji") at a consideration of RMB36,750,000 (equivalent to HK$45,011,000). Beihai Shiji is a connected person of the Company by virtue of its 15% existing equity interests in a subsidiary, which is an indirect non-wholly owned subsidiary of the Company. The disposal was completed on 17 September 2012.

(b) Apart from the transaction as disclosed in notes 21 and 40 to the financial statements, the Group had no other material transaction with its related party during the year.

(c) Key management compensation

	2012 **HK$'000**	2011 HK$'000
Fees for key management personnel	**309**	326
Salaries, allowances and other benefits in kind	**6,607**	4,958
Pension scheme contributions	**320**	446
Equity settled share-based payment expenses	**—**	701
	7,236	6,431

40. BANKING FACILITIES

At 31 December 2012, the Group's banking facilities to the extent of HK$229,100,000 (2011: HK$298,130,000) were secured by:–

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

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

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

(d) corporate guarantee limited to HK$6,000,000 executed by the Company;

(e) time deposits (note 26); and

(f) guarantee limited to HK$4,800,000 executed by the Government of Hong Kong Special Administrative Region.

Such banking facilities were utilised by the Group to the extent of HK$217,765,000 (2011: HK$217,765,000).

41. CONTINGENT LIABILITIES

At 31 December 2012, the Group and the Company had no contingent liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

42. 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-commerce, 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 reporting 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 loan, deferred tax liability and other corporate assets and liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

42. SEGMENT REPORTING *(continued)*

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 such as share of results of an associate.

(a) Segments results, assets and liabilities

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

	Payment solutions		Timber trading and furniture manufacturing		System integrating and technical platform services		Industry park		Others		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	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	**103,888**	206,283	**18,631**	29,878	**—**	—	**4,200**	4,094	**—**	84	**126,719**	240,339
Other revenue	**18,225**	2,555	**1,075**	373	**2,955**	31	**4,855**	2,932	**1,834**	1,280	**28,944**	7,171
Total revenue	**122,113**	208,838	**19,706**	30,251	**2,955**	31	**9,055**	7,026	**1,834**	1,364	**155,663**	247,510
Reportable segment profit/(loss)	**26,581**	102,428	**(1,600)**	424	**(4,272)**	(4,893)	**(8,465)**	(10,362)	**(19,877)**	(27,022)	**(7,633)**	60,575
Interest on bank deposits											**10,235**	5,446
Other interest income											**4,594**	1,101
Government subsidy											**13,271**	—
Dividend income											**279**	264
Profit from operations											**20,746**	67,386
Gain on bargain purchase											**209**	3,710
Increase in fair value of investment properties											**8,869**	2,105
Impairment loss on loan receivable											**(693)**	—
Share of results of an associate											**(435)**	—
Finance costs											**(11,528)**	(9,618)
Profit before income tax											**17,168**	63,583
Income tax expense											**(3,022)**	(1,888)
Profit for the year											**14,146**	61,695
Attributable to:												
— Shareholders of the Company											**6,989**	58,145
— Non-controlling interests											**7,157**	3,550
											14,146	61,695

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

42. SEGMENT REPORTING *(continued)*

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

	Payment solutions		Timber trading and furniture manufacturing		System integrating and technical platform services		Industry park		Others		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	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	**6,775**	5,294	**403**	385	**200**	96	**3,857**	3,238	**1,125**	402	**12,360**	9,415
Amortisation	**751**	466	**—**	—	**—**	—	**997**	976	**110**	110	**1,858**	1,552
Capital expenditure incurred during the year	**14,694**	22,073	**8,172**	1,258	**1,385**	—	**259**	3,276	**2,490**	1,531	**27,000**	28,138
Reportable segment assets	**521,148**	587,942	**67,022**	49,545	**31,534**	20,627	**350,618**	323,939	**64,508**	133,970	**1,034,830**	1,116,023
Unallocated assets											**11,570**	14,571
Total assets											**1,046,400**	1,130,594
Reportable segment liabilities	**281,626**	377,053	**20,062**	13,221	**248**	5,249	**3,510**	58,431	**6,572**	1,173	**312,018**	455,127
Unallocated liabilities											**239,339**	234,746
Total liabilities											**551,357**	689,873

There was no revenue arising from transactions with any customers which was individually more than 10 percent of the Group's revenue in both years.

(b) Geographical information

	PRC		Hong Kong/overseas		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**121,957**	111,015	**4,762**	129,324	**126,719**	240,339
Other revenue	**27,081**	5,893	**1,863**	1,278	**28,944**	7,171
Total revenue	**149,038**	116,908	**6,625**	130,602	**155,663**	247,510
Non-current assets	**308,942**	264,205	**60,000**	54,163	**368,942**	318,368

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 interest in an associate and other investment.

Five Years Financial Summary

RESULTS

	Year ended 31 December				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**126,719**	240,339	122,952	86,973	75,151
Profit for the year	**14,146**	61,695	52,978	26,564	22,383
Attributable to:					
Shareholders of the Company	**6,989**	58,145	53,294	28,478	22,426
Non-controlling interests	**7,157**	3,550	(316)	(1,914)	(43)
	14,146	61,695	52,978	26,564	22,383

ASSETS AND LIABILITIES

	At 31 December				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
NON-CURRENT ASSETS	**368,942**	318,368	303,480	207,477	172,803
CURRENT ASSETS	**677,458**	812,226	561,674	184,761	114,433
DEDUCT:					
CURRENT LIABILITIES	**536,285**	676,751	484,914	107,625	57,084
NET CURRENT ASSETS	**141,173**	135,475	76,760	77,136	57,349
	510,115	453,843	380,240	284,613	230,152
DEDUCT:					
NON-CURRENT LIABILITIES	**(15,072)**	(13,122)	(30,343)	(29,009)	(1,798)
NET ASSETS	**495,043**	440,721	349,897	255,604	228,354