Yuxing InfoTech Holdings Limited
裕興科技控股有限公司*

(Incorporated in Bermuda with limited liability)

Stock Code: 8005

Annual Report 2009

*for identification purposes only

Yuxing InfoTech Holdings Limited
Annual Report 2009

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

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

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

This annual report, for which the directors of Yuxing InfoTech Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing The Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The directors of the Company (the "Directors"), having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this annual report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this annual report misleading; and (3) all opinions expressed in this annual report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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Corporate Profile

The Company and its subsidiaries (collectively the "Group") commenced its business through Beijing Golden Yuxing Electronics and Technology Co., Ltd. ("Golden Yuxing") which was established in the People's Republic of China (other than Hong Kong and Macau) (the "PRC") in 1996. Golden Yuxing became a Sino-foreign co-operative joint venture enterprise on 8th November 1999. Through reorganisation, the Company has become the ultimate holding company of the Group. The Company was incorporated in Bermuda as an exempted company on 6th October 1999 and was listed on GEM on 31st January 2000. It successfully raised gross proceeds of approximately HK$420 million.

As a result of the continuous introduction of new products, the Group has experienced rapid growth since its establishment. The Group is principally engaged in research and development, design, manufacturing, marketing and sale of information appliances (major in set-top boxes) through a network of partnerships and distributors in the PRC, Hong Kong and overseas.

Besides its comprehensive distribution network, the Group has established a strong team of research and development ("R&D") professionals, including experienced experts in hardware and software, digital devices, media display and network technology. Under the leadership of the Group's professional management team, our products have obtained high reputation in Hong Kong and the PRC's market.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Zhu Wei Sha *(Chairman)*
Chen Fu Rong *(Deputy Chairman)*
Shi Guang Rong
Wang An Zhong

Independent Non-executive Directors

Wu Jia Jun
Zhong Peng Rong
Shen Yan

COMPANY SECRETARY

Liu Wei, Solicitor

QUALIFIED ACCOUNTANT

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

COMPLIANCE OFFICER

Shi Guang Rong

AUTHORISED REPRESENTATIVES

Chen Fu Rong
Shi Guang Rong

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

AUDITOR

Mazars CPA Limited
Certified Public Accountants

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
Guangdong Development Bank
Shanghai Commercial Bank Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11, Bermuda

PLACES OF BUSINESS

Hong Kong
Unit 1808, 18th Floor
Tower III, Enterprise Square
9 Sheung Yuet Road
Kowloon Bay, Kowloon

The PRC
Block B, 7th Floor, Tian Cheng Technology Building
No. 2, Xinfeng Street, De Shen Men Wai
Beijing

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

SHARE REGISTRARS AND TRANSFER OFFICES

Principal registrar
The Bank of Bermuda Limited
6 Front Street
Hamilton HM11, Bermuda

Branch registrar
Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East, Hong Kong

STOCK CODE

8005

WEBSITE ADDRESS

www.yuxing.com.cn

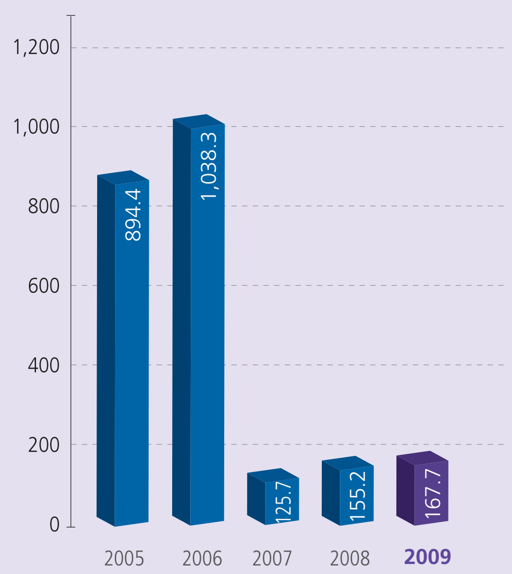
Financial Highlights and Calendar

FINANCIAL HIGHLIGHTS

	2009 HK$'000	2008 HK$'000
Revenue		
Turnover	**167,673**	155,167
Profitability		
Loss from operations	**(23,266)**	(35,006)
Loss for the year	**(24,118)**	(36,577)
Net worth		
Total equity attributable to equity holders of the Company	**2,616,208**	1,356,914
Per share		
Loss per share attributable to equity holders of the Company – Basic	**(1.48) cents**	(2.25) cents
Net assets per share	**1.60 dollars**	0.83 dollar

TURNOVER

HK$ million



NET ASSETS PER SHARE

HK$

FINANCIAL CALENDAR

Results for the year	Announcement on 22nd March 2010
Annual report	Despatched to shareholders in late March 2010
Annual general meeting	18th May 2010

Chairman's Statement

The new year has dawned and all will change for the better! On behalf of the Board and management of the Company, I hereby extend our New Year greetings to friends from all segments of the society who care about Yuxing: thank you for your trust and support to Yuxing, and wish you all good health and enjoy your work in the new year!

Since Yuxing's establishment more than a decade ago, the Company has weathered numerous stormy and tough challenges. Special thanks to our staff for their concerted efforts, down-to-earth commitments, and restless pursuit of excellence, because only with their help can we attain today's achievements.

2009 was a tough year for Yuxing. The Company's business was inevitably impacted by the global financial crisis and our results were affected to certain extents. These, coupled with litigations on the Company's major assets, were the testaments we faced. Luckily, the Directors, shareholders, customers, suppliers and our partners firmly believe that the truth and the law are fair, which give Yuxing the courage to strive forward.

Facing complicated internal and external environments, the Company did not slow down its pace for exploration and development. In particular, for Information Home Appliances business, we dedicated unremitting efforts to innovation in research and development of technologies, and achieved remarkable results in its marketing. Currently, our IPTV set-top box products are used almost worldwide. In addition to keeping sound cooperations with our existing customers, our products also started to tap into the U.S.A. Australia and East Europe markets, which laid a solid foundation for future development. Meanwhile, our efforts in PRC market also recorded satisfactory results. In addition to successful commercial application in various regions, our products also became crucial participants in China Telecommunications Corporation's HD set-top box trial sites and the formulation of new application standards. These, together with the good news of amalgamation of three nets released from the early of 2009, further accelerated the development of domestic IPTV business. Leveraging on our extensive experience in interactive TV, we believe that this business will bring more rewarding benefits to the Group in the future.

Chairman's Statement

Looking forward, opportunities and risks are still entangled in the coming year. However, we grow stronger amidst the gathering clouds and raging storms through these years. Our team has already grown into a tough and mature organization. As long as we are united with one heart and embraced the same faith, we will surely overcome any difficulty encountered. We are, and always will be, striding forward. I wish all our efforts will eventually award a fair return, so that our shareholders and staff will be accredited with the most satisfactory reward.

Now the icy winter is melting. When the sunlight of spring begins to shine above the earth, the new journey shall start. We will accomplish our dream with our rigid persistence and honest attitude and we appreciate our shareholders and every friend who cares about Yuxing.




Zhu Wei Sha
Chairman

Hong Kong, 22nd March 2010



CONSOLIDATED RESULTS

For the year ended 31st December

	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000
Turnover	**167,673**	155,167	125,730	1,038,300	894,393
(Loss)/profit before taxation	**(24,118)**	(36,577)	23,239	14,527	79,573
Taxation	**–**	–	(726)	(1,590)	(4,271)
(Loss)/profit for the year	**(24,118)**	(36,577)	22,513	12,937	75,302
Non-controlling interests	**–**	–	–	4,431	(6,982)
(Loss)/Profit for the year attributable to equity holders of the Company	**(24,118)**	(36,577)	22,513	17,368	68,320

CONSOLIDATED ASSETS AND LIABILITIES

As at 31st December

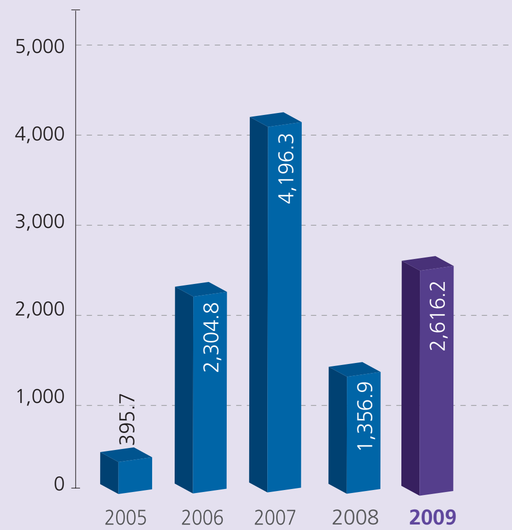
	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000
Total assets	**2,739,709**	1,421,831	4,279,107	2,559,755	741,925
Total liabilities	**(123,501)**	(64,917)	(82,804)	(239,437)	(326,259)
Non-controlling interests	**–**	–	–	(15,495)	(19,926)
Total equity attributable to equity holders of the Company	**2,616,208**	1,356,914	4,196,303	2,304,823	395,740

TOTAL ASSETS

HK$ million

NET ASSETS

HK$ million



Management Discussion and Analysis

FINANCIAL REVIEW

Turnover and Gross Profit

During the year under review, the Group's core business, the Information Home Appliances ("IHA"), was hit by the current global economic downturn, which caused one of our major customers in Hong Kong market to decelerate its marketing and selling activities. As such, the Group's turnover in Hong Kong market dropped drastically by 72.0% to approximately HK$25.5 million for the year ended 31st December 2009 (the "Year") as compared to last year. However, the Group has adjusted its operating strategy at the beginning of 2009 by focusing on exploring and expanding the PRC market, resulting in a significant increase of 197.7% in the Group's turnover in the PRC market to approximately HK$117.3 million for the Year as compared to last year. As such, the overall turnover of the Group increased by 8.1% to approximately HK$167.7 million for the Year as compared to last year. Notwithstanding, the products sold by the Group in the PRC market generated relatively lower gross profit margin, the overall gross profit of the Group for the Year decreased by 24.8% to approximately HK$24.4 million as compared with 2008.

Operating Results

Other Revenue and Net Income

Other revenue and net income decreased significantly to approximately HK$17.4 million for the Year (2008: approximately HK$49.9 million). Although the Group recorded net gains on certain financial assets of approximately HK$2.8 million for the Year (2008: HK$Nil), the Group's indirect investment in 51 million A shares of Ping An Insurance (Group) Company of China Limited ("Ping An Insurance") contributed only approximately HK$8.7 million to the Group's other revenue for the Year, while this investment contributed approximately HK$40.0 million to the Group's other revenue for the year ended 31st December 2008.

Operating Expenses

During the year under review, the Group's general and administrative expenses decreased by 28.5% to approximately HK$60.4 million as compared with 2008. The decrease in general and administrative expenses for the Year was mainly due to the decrease in share option costs to employees, which were non-cash expenses, and the decreases in legal and professional fees of the Group by approximately HK$8.2 million and approximately HK$5.6 million respectively as compared to last year.

Other Operating Expenses

Other operating expenses decreased to approximately HK$0.9 million for the Year (2008: approximately HK$12.2 million) . This was mainly due to the satisfactory performance of the stock markets in the PRC and Hong Kong in 2009 as compared to last year which in turn led to a significant decline in the Group's net unrealized losses on certain financial assets to approximately HK$0.2 million for the Year, while net realised and unrealised losses for last year of approximately HK$11.2 million.

Finance Costs

Finance costs of the Group decreased to approximately HK$0.9 million for the Year (2008: approximately HK$1.6 million). Such decrease in finance costs was due to the lower borrowing interest rate offered by banks during the year under review.

FINANCIAL REVIEW *(Continued)*

Operating Results *(Continued)*

Loss for the Year

Due to the decrease in the overall gross profit, the Group recorded a loss attributable to equity holders of the Company of approximately HK$24.1 million for the Year (2008: approximately HK$36.6 million). Except for the factors mentioned above, another reason for this loss was that the Group's indirect investment in 51 million A shares of Ping An Insurance contributed only approximately HK$8.7 million to the Group's other revenue for the Year (2008: approximately HK$40.0 million).

Liquidity, Charge on Group Assets and Financial Resources

As at 31st December 2009, the Group had net current assets of approximately HK$77.6 million. The Group had cash and bank balances and pledged bank deposits of approximately HK$53.3 million and HK$13.2 million respectively. The Group's financial resources were funded mainly by its shareholders' funds except for certain short-term bank loans and long-term mortgage loans totalling approximately HK$48.4 million. As at 31st December 2009, the Group's current ratio was 1.7 times and the gearing ratio, as measured by total liabilities divided by total equity, was 4.7%. Overall, as at 31st December 2009, the financial and liquidity positions of the Group remain at a stable and healthy level.

Capital Structure

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

Significant Investments/Material Acquisitions and Disposals

For the year ended 31st December 2009, the Group had no significant investment and no material acquisition or disposal.

Segment Information

The Group's star business segment is the IHA. The total turnover of IHA segment for the Year increased by 18.7% to approximately HK$166.8 million as compared to last year. This increase in the turnover was mainly attributable to the further expansion of Internet Protocol Television ("IPTV") business in the PRC market in 2009. Meanwhile, the Group has been exploring PRC markets actively since 2008, consequently, the turnover of IHA segment in the PRC market increased significantly by 391.6% to approximately HK$116.4 million for the Year. In addition, the Group has been actively strengthening its connections with leading telecom operators in many parts of the world by getting involved in various tests and evaluations organized by them and establishing partnerships with them. Despite the global economic downturn, turnover of IHA segment in overseas markets in 2009 maintained at approximately HK$25.0 million, representing a slight increase of 0.4% over last year. The marketing and selling activities of a major customer under the IHA segment in Hong Kong market have been slowing down due to the negative impacts of the financial crisis as well. As such, the turnover of IHA segment in the Hong Kong market plunged 72.0% from last year to approximately HK$25.5 million for the Year. Moreover, as the products of the Group sold in the PRC market generated relatively lower gross profit margin, the gross profit of IHA segment for the Year decreased by 15.3% to approximately HK$26.7 million as compared to the previous year. Consequently, the Group recorded a loss of approximately HK$10.9 million on the IHA segment for the Year (2008: approximately HK$12.2 million).

FINANCIAL REVIEW *(Continued)*

Segment Information *(Continued)*

The Group's investing segment is principally engaged in investing in available-for-sale financial assets and trading of securities. The results of this segment dropped by 61.0% to approximately HK$11.3 million for the Year as compared with the last year. The main reason for this decrease was that the Group recorded gains of approximately HK$8.7 million from its indirect investment in 51 million A shares of Ping An Insurance, while the Group recorded gains of approximately HK$40.0 million from this investment in 2008.

In respect of the Group's trading segment, because of the lack of new breakthrough in recent years together with the negative impacts brought by the financial crisis, this business caused the Group to record a loss of approximately HK$2.2 million for the Year (2008: approximately HK$5.2 million). As to the other operations segment of the Group, due to the increase in the rental incomes from leasing out properties of the Group, the result of this segment increased by 29.7% to approximately HK$1.5 million for the Year as compared to last year.

Geographical markets of the Group were mainly located in the PRC during the year under review. The turnover for the Year generated from the PRC market increased significantly by 197.7% to approximately HK$117.3 million as compared to last year. This increase was mainly attributable to the expansion of the Group's IHA business into more provinces and cities in the PRC during the year under review. The turnover generated from overseas and Hong Kong markets slightly increased by 0.4% and significantly decreased by 72.0% to approximately HK$25.0 million and HK$25.5 million respectively for the Year as compared to last year.

Exposure to Fluctuations in Exchange Rates

Most of the trading transactions of the Group were denominated in United States dollars and in Renminbi. The assets of the Group were mainly denominated in Renminbi and the remaining portions were denominated in Hong Kong dollars. The official exchange rates for United States dollars, Hong Kong dollars and Renminbi have been stable for the Year. No hedging or other alternative measures have been implemented by the Group. As at 31st December 2009, the Group had no significant exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

Contingent Liabilities

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

FINANCIAL REVIEW *(Continued)*

Contingent Liabilities *(Continued)*

(a) *(Continued)*

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

The Group was also notified that Golden Yuxing, Foshan Zhixing and Shenzhen Sheng Bang had received summons and notices from Intermediate Court of Fo Shan regarding the scheduling of the trial date on 16th October 2009, and Mr. Zhu Wei Sha becoming one of the defendants of the Actions.

On 20th October 2009, the Group was notified by JI that the Intermediate Court of Fo Shan has issued a Notice of Enforcement to JI on 4th September 2009, ordering JI to assist in freezing Golden Yuxing's 36.66% equity interest in JI and suspending the payment of dividends attributable to Golden Yuxing in respect of its equity interest in JI for a period from 7th September 2009 to 6th September 2011. According to the legal opinion dated 19th March 2010 from the Group's PRC lawyers, Golden Yuxing was entitled to receive the dividend from JI but the suspension of the dividend payment is still in force. As a result of the above freezing order, the dividend receivable from JI amounting to approximately HK$8.7 million (2008: HK$Nil) was classified as non-current asset as at 31st December 2009.

On 9th March 2010, the Group has received summons from Intermediate Court of Fo Shan, which summoned Beijing Yuxing Software Co., Limited and Golden Yuxing to the court to respond to hearings.

As at 31st December 2009, certain cash and bank balances of the Group with carrying value of approximately HK$1.0 million (2008: approximately HK$0.9 million) were frozen by the Intermediate Court of Fo Shan.

As at the date of this report, no trial or judgement for the Actions has been received from the Intermediate Court of Fo Shan yet. The Board has sought legal advice from its PRC lawyers and is of the view that the Actions are based on unsubstantiated and invalid grounds. The Board does not believe the Actions will have any significant impact on the financial position of the Group and no provision is considered necessary.

FINANCIAL REVIEW *(Continued)*

Contingent Liabilities *(Continued)*

(b) In 2007, JLB Group lodged a petition with the Higher People's Court of the Guangdong Province in the PRC (the "Guangdong Higher Court") to institute a civil action against Golden Yuxing as purchaser and Sanshui Jianlibao Health Industry Investment Co., Ltd ("SJHII") as vendor, claiming, among other matters, that the sale by SJHII to Golden Yuxing in August 2004 of 10.435% (which was subsequently increased to 36.66% pursuant to adjustments of shareholders' equity interest in 2006) equity interest in JI (the "Acquisition"), a company whose principal assets were 479,117,788 Ping An Shares (subsequently reduced to 139,112,886 Ping An Shares as at 31st December 2007), was invalid.

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

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

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

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

As at the date of this report, no trial or judgement for the rehearing has been received from the Guangdong Higher Court. The Board has sought legal advice from its PRC lawyers and is still of the view that the claim submitted by JLB Group is based on invalid grounds. The Group has valid evidences which sufficiently ascertain their 36.66% ownership on the equity interest in JI. Therefore, the Board does not believe the claim will have any significant impact on the financial position of the Group and no provision is considered necessary.

(c) Subsequent to the balance sheet date, the Group has received a notice issued by the Court of San Shui dated 8th February 2010 that the lending dispute cases where the prosecutor Foshan Sanshui Zheng Tian Technology Investment Company Limited prosecuted against SJHII, Beijing Ling Si Information System Company Limited and Golden Yuxing, had been designated by Guangdong Higher Court to come under the jurisdiction of Intermediate Court of Fo Shan. As at the date of this report, the lending dispute cases are under hearing by the Intermediate Court of Fo Shan.

The Board has sought legal advice from its PRC lawyers in these respects and is of the view that the claim is based on invalid grounds. The Board believes the claim will not have significant impact on the financial position of the Group and no provision is considered necessary.

FINANCIAL REVIEW *(Continued)*

Human Resources

As at 31st December 2009, the Group had over 530 (2008: over 480) full time employees, of which 12 (2008: 12) were based in Hong Kong and the rest were in the PRC. Staff costs of the Group amounted to approximately HK$38.0 million for the Year (2008: approximately HK$49.4 million). This decrease in staff costs was mainly due to the decrease in share options costs to employees (non-cash expenses) for the Year by 71.5% to approximately HK$3.3 million as compared with last year. All employees of the Company's subsidiaries are selected and promoted based on their suitability for the position offered. The salary and benefit levels of the Group's employees are in line with the market. Employees are rewarded on a performance-related basis within the general framework of the Group's remuneration system which is reviewed annually. In addition to the basic salaries, staff benefits also include medical scheme, various insurance schemes and share options scheme.

BUSINESS REVIEW

Being one of the pioneers engaging in the R&D of broadband set-top boxes, the Group has always been leading the global IPTV set-top boxes industry with its core business – IHA segment. The overall sales of this segment for the Year amounted to approximately HK$166.8 million, representing an approximate 18.7% increase as compared with last year.

During the year under review, the Group's IHA segment was hit by the global economic downturn, making one of our major customers in Hong Kong market reduced its marketing and selling activities, resulting in a significant decrease in our turnover in Hong Kong market under IHA segment to approximately HK$25.5 million, which in turn represented a decrease of 72.0% as compared with 2008.

Notwithstanding the significant decrease in the Group's turnover in Hong Kong market during the year, the Group has adjusted its operating strategy at the beginning of 2009 by focusing on exploring and expanding of the PRC market and has achieved satisfactory results so far. Through maintaining stable cooperation relationships with the largest telecom equipment and system suppliers in the PRC, the Group has started making large shipments of its IPTV set-top boxes to its customers in the Guangdong Province, Hubei Province, Sichuan Province, Liaoning Province and Shanghai, etc in the PRC. In order to further expand its revenue base, the Group has also entered into the cable set-top boxes market in the PRC at the beginning of 2009. In addition, the "Standard-definition Digital Cable Set-top Box" developed and marketed by the Group in the year has also successfully penetrated into the Shaoxing market in the PRC in the third quarter of the year. As a result, the Group's turnover in the PRC market under IHA segment for the Year increased significantly by 391.6% to approximately HK$116.4 million as compared with last year. This also led to an increase of the Group's overall turnover for the Year by 8.1% to approximately HK$167.7 million as compared with 2008. However, as the products sold in the PRC market generated relatively lower gross profit margin, the overall gross profit of the Group for the Year decreased by 24.8% to approximately HK$24.4 million as compared with last year.

For the international markets, although global economies are still affected by the onset of the global financial turmoil since late 2008, the development of IHA business of the Group remained stable during the year under review. The Group maintained cooperation with telecom operators in Europe, which not only continued to make successive supply, but the products also met the requirements of the customers. Such cooperation, thus, laid a solid foundation for further development between the Group and international telecom operators. Moreover, the on-going cooperations between the Group and Orca Interactive Ltd. and Viaccess have made a good stead for the Group to satisfy diversified demands from customers of more different regions, more telecom operators and system integrators. A sound effect has been received by the Group in developing regional markets through these cooperations. During the year under review, the Group and certain international prestigious system integrators and telecom operators have entered into cooperation agreements or memorandums. Our products have tapped into America and Romania in the third quarter of the year and begun to emerge to Australian and Belgium markets in the fourth quarter of the year. The sales of the Group in international markets slightly increased by 0.4% to approximately HK$25.0 million for the Year as compared with last year.

Management Discussion and Analysis

BUSINESS REVIEW *(Continued)*

Due to the decrease in the Group's overall gross profit, the Group recorded a loss attributable to equity holders of the Company of approximately HK$24.1 million for the Year (2008: approximately HK$36.6 million). Besides, another reason for this loss was that the Group's indirect investment in 51 million A shares of Ping An Insurance contributed only approximately HK$8.7 million gain to the Group for the Year (2008: approximately HK$40.0 million) as a result of a significantly smaller amount of dividend paid out by Ping An Insurance when compared to year 2008.

In relation to the claim submitted by JLB Group against the Acquisition, the Group received a written civil ruling released by the Supreme Court dated 20th November 2009, with the following rules: (1) to revoke the civil ruling issued by the Guangdong Higher Court dated 23rd December 2008; and (2) to return the case to the Guangdong Higher Court for rehearing.

Besides, according to our announcement dated 22nd October 2009, Intermediate Court of Fo Shan had issued a Notice of Enforcement to JI on 4th September 2009, ordering JI to assist in freezing Golden Yuxing's 36.66% equity interest in JI and its dividend entitlements held by Golden Yuxing and suspending the payment of dividends attributable to Golden Yuxing in respect of its equity interest in JI, for a period from 7th September 2009 to 6th September 2011. According to the legal opinion dated 19th March 2010 from the Group's PRC lawyers, Golden Yuxing was entitled to receive the dividend from JI but the suspension of the dividend payment is still in force.

BUSINESS PROSPECT

As the global economies have gradually revived from the credit crunch, input for IPTV business has increased from various countries. According to the schedules of our existing customers, the Group expects a better IPTV market for 2010 than that of 2009.

For the PRC market, since the State Council held a conference on accelerating amalgamation of three nets (telecom net, broadcast & TV net, as well as Internet) dated 13th January 2010, the development of IPTV business in the PRC market would be further expedited. Pursuant to the deployments in the conference, a two-pronged trail in broadcast & TV and telecom industries is going to be carried out from 2010 to 2012 as the key initiatives in this area for the nation. With our extensive experience in R&D and customer service in respect of two-way interactive TV, the Group believes that massive potential and greater harvest will be gained from those deployments.

Regarding the international markets, with diversified products, advanced R&D ability over technology, as well as considerable customer service of IHA business, the Group is maneuvering to extend its sales network to all over the world. For the coming year, the Group is committed as ever to maintaining close cooperation with the global level I telecom operators (large-size telecom operators), and to actively establish cooperations with level II and level III telecom operators (small and medium-size telecom operators), with an aim to have greater presentation in more regions. For the Hong Kong market, the Group has in the year already completed products upgrading and function integrity to meet the requirements of the Hong Kong customer and currently, the Group is cooperating with the customer for further market promotion.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Zhu Wei Sha, aged 54, is a co-founder of the Group. He has been the chairman of the Board and the president of the Group since 1996. He graduated from the Department of Automatic Control of the Beijing University of Technology with a bachelor degree in engineering. He had worked at the Beijing Machinery Electronic Research Institute and the Industrial Economic Research Department of the China Social Science Institute and as the legal representative and general manager of the Beijing Shanchuan Jinji Technology Company. Mr. Zhu has extensive experience and insights in corporate management and operation as well as solid technical background. He also has an in-depth understanding of the growth of a corporation by combining the concepts of capital investment and business operation. He has accumulated years of successful experience in this regard. Mr. Zhu is currently a director and a shareholder of Super Dragon Co., Ltd. ("Super Dragon") which has a 40.48% interest in the share capital of the Company.

Mr. Chen Fu Rong, aged 49, is a co-founder of the Group. He has been the deputy chairman of the Group since 2004 and a vice president of the Group since 1996. He graduated from the Department of Automatic Control of Beijing University of Technology with a bachelor degree in engineering. He had worked at the Industrial Economic Research Department of the China Social Science Institute and Beijing Machinery Electronics Co. and has extensive experience in computer hardware design and management of research and development activities. Mr. Chen possesses 17 years' experience in research and development and engineering management. Mr. Chen is currently the executive president of Shenzhen Sheng Bang and is deputy chairman of the Board. Mr. Chen is also a director and a shareholder of Super Dragon.

Mr. Wang An Zhong, aged 53, is a vice president of the Group. He graduated with a master degree in engineering from the Department of Computer Science of the Beijing University of Technology. He was an associate professor and has extensive experience in lecturing and scientific research. He managed and was involved in a number of the State's research projects and won several awards. Mr. Wang joined the Group in 1997 as the general manager of the research and development department. He is currently the vice president in operations of Golden Yuxing.

Mr. Shi Guang Rong, aged 49, has been a vice president of the Group since 1996. He graduated with a bachelor degree in engineering from the Department of Automatic Control of the Beijing University of Technology. He had worked at various enterprises in the PRC. He is responsible for the marketing and public relation matters of the Group and possesses 19 years' experience in product marketing and promotion. Mr. Shi is currently the chief executive officer of Yuxing Technology Company Limited, a wholly-owned subsidiary of the Group in Hong Kong and is a director of Dragon Treasure Ltd. ("Dragon Treasure") which has 22.04% interests in the share capital of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wu Jia Jun, aged 78, is currently an Honorary Academy Member and researcher of China Social Science Academy as well as a tutor of doctoral students. He is also honour president of the China Industrial Economic Association. He served as the vice general manager of the Chinese Industrial and Economic Research Institute from 1980 to 1993, and the vice president of the Young Entrepreneurs Association of China. Mr. Wu has extensive experience in conducting research in the economy and industries of the PRC and also in corporate management. He is a renowned scholar in Japanese corporate and industrial management of which he has an in-depth knowledge. He has published several books and articles on corporate management and economic reform. Mr. Wu was appointed as Independent Non-executive Director in October 1999.

Biographical Details of Directors and Senior Management

Mr. Zhong Peng Rong, aged 57, is a renowned Chinese economist. He worked with the central government of the PRC for many years as a chief researcher. He now serves as a professor of several famous universities and as an adviser to over 21 enterprises and local governments of the PRC. As the chairman and research fellow of the Beijing Shiye Consultancy Centre, he has formulated development strategies for enterprises in different industries and for local governments. He has an in-depth understanding of the macroeconomic environment and government administration in the PRC. Mr. Zhong was appointed as Independent Non-executive Director in October 1999.

Ms. Shen Yan, aged 46, holds a bachelor degree in Accounting and has 15 years of experience in accounting and 11 years of experience in auditing. She is currently a tutor of Beijing University of Technology. Ms. Shen successively held important posts in a number of enterprises in the PRC and is well experienced in financial accounting, budget control and financial management. During that period, she took part in the research on the relevant financial management projects and has compiled and published a number of books on professional management. Before then, she worked in Beijing Zhong Gong Xin Certified Public Accountants (北京中公信會計師事務所), where she presided over audit works for China and international renowned enterprises operating in various fields such as manufacturing, professional affairs and services, and has accumulated invaluable experiences in relation to corporate finance management and audit works. In April 2008, Ms. Shen was appointed as the chief accountant of the Beijing University of Technology Investment Company (北京工業大學投資公司). Ms. Shen was appointed as Independent Non-executive Director in January 2005.

COMPANY SECRETARY

Mr. Liu Wei, aged 52, is qualified as a solicitor in the PRC, Hong Kong and England. He has extensive exposure in corporate finance and is a partner of DLA Piper Hong Kong. Mr. Liu graduated from the Northwest University of China, the Chinese University of Political Science and Law, the University of Cambridge and the University of Hong Kong, with a bachelor in Chinese literature, a master degree in law, a PhD in Law respectively. He also completed his Common Professional Examination (CPE) with the Manchester University in England, as well as a Postgraduate Certificate in Laws (PCLL) with the University of Hong Kong. Mr. Liu was appointed as the Company secretary in July 2007.

SENIOR MANAGEMENT

Miss Wu Wai Ting, Wendy, aged 37, is the financial controller of the Group. She is a graduate of the Monash University in Australia with a master degree in Practising Accounting and holds a bachelor degree in Business (International Trade). Miss Wu is a Certified Practising Accountant of CPA Australia and a member of the Hong Kong Institute of Certified Public Accountants. She has 12 years' experience in accounting and finance. Miss Wu joined the Group in March 2000.

Directors' Report

The Directors have pleasure in submitting to all shareholders their report together with the audited consolidated financial statements of the Group for the year ended 31st December 2009.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 36 to the financial statements.

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

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 28 to the financial statements.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31st December 2009 are set out in the consolidated income statement on page 31.

The Board does not recommend the payment of a final dividend for the year ended 31st December 2009.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 35 and note 29 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 17 to the financial statements.

PRE-EMPTIVE RIGHTS

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

FIVE-YEAR FINANCIAL SUMMARY

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

SHARE OPTIONS

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

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

			Number of share options				
Name of director	Exercise price per share HK$	Exercisable period	At 1st January 2009	Exercised during the year	Granted during the year	Cancelled/ lapsed during the year	At 31st December 2009
Mr. Wang An Zhong	0.2975	26th December 2006 – 17th May 2013	1,600,000	–	–	–	**1,600,000**
Mr. Shi Guang Rong	0.2975	26th December 2006 – 17th May 2013	600,000	–	–	–	**600,000**
Mr. Wu Jia Jun	0.2975	26th December 2006 – 17th May 2013	960,000	–	–	–	**960,000**
Mr. Zhong Peng Rong	0.2975	26th December 2006 – 17th May 2013	1,600,000	–	–	–	**1,600,000**
Ms. Shen Yan	0.2975	26th December 2006 – 17th May 2013	960,000	–	–	–	**960,000**

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the chief executive of the Company, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

Details of the movement in the Company's share options held by continuous contract employees (other than the Directors) during the year are set out in note 33 to the financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

A brief biographical details of Directors and senior management are set out on pages 15 and 16.

DIRECTORS

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

Executive Directors:

Mr. Zhu Wei Sha *(Chairman)*
Mr. Chen Fu Rong *(Deputy Chairman)*
Mr. Shi Guang Rong
Mr. Wang An Zhong

Independent Non-executive Directors:

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

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Chen Fu Rong and Mr. Wang An Zhong will be subject to retirement by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting ("AGM").

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for a term of three years from 7th October 1999 and has automatically renewed the service contract upon the expiry of the initial term of three years on 7th October 2002 and subsequent terms of three years on 7th October 2005. Their respective service contracts (which are automatically renewed upon expiry for successive terms of one year) are subject to termination by either party giving not less than 6 months' notice in writing.

The Independent Non-executive Directors, Messrs. Wu Jia Jun and Zhong Peng Rong, were appointed for a two-year term expiring on 24th October 2009 and have accepted to continue their appointment for another two-year term expiring on 24th October 2011. Ms. Shen Yan was appointed as Independent Non-executive Director for a term of two years expiring on 11th January 2010 and has accepted to continue her appointment for another two-year term expiring on 11th January 2012.

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

CONTRACTS OF SIGNIFICANCE

Save for the Directors' service contracts is disclosed in this report, no contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

No contracts of significance (including those in relation to provision of services) between members of the Group and the controlling shareholder or any of its subsidiaries subsisted at the end of the year or at any time during the year.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' emoluments and the five highest paid individuals in the Group are set out in notes 10 and 11 to the financial statements respectively.

EMOLUMENT POLICY

The Directors are paid fees in line with market practice. The Group adopted the following main principles in determining the Directors' remuneration:

- No individual should determine his or her own remuneration;
- Remuneration should be broadly aligned with companies with whom the Group competes for human resources; and
- Remuneration should reflect performance and responsibility with a view to motivating and retaining high performing individuals and enhancing the value of the Company to its shareholders.

In addition to the basic salaries, a share option scheme is adopted for rewarding good performers as well as retaining talented staff for the continual operation and development of the Group.

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

As at 31st December 2009, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as required pursuant to the minimum standards of dealing by the Directors as referred to in rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Exchange were as follows:

(1) Long positions in the shares of the Company

Name of Director	Nature of interests	Number of ordinary shares	Capacity	Percentage to the issued share capital of the Company
Mr. Zhu Wei Sha	Corporate *(Note 1)*	660,000,000	Interest of a controlled corporation	40.48%
	Personal *(Note 2)*	300,000	Beneficial owner	0.02%
Mr. Chen Fu Rong	Corporate *(Note 1)*	660,000,000	Interest of a controlled corporation	40.48%
Mr. Shi Guang Rong	Personal *(Note 2)*	25,400,000	Beneficial owner	1.56%
Mr. Wang An Zhong	Personal *(Note 2)*	5,136,756	Beneficial owner	0.32%

Notes:

1. Messrs. Zhu Wei Sha and Chen Fu Rong held these shares through Super Dragon, a company in which Messrs. Zhu Wei Sha and Chen Fu Rong held 63.6% and 36.4% of the entire issued share capital respectively. Both Mr. Zhu Wei Sha and Mr. Chen Fu Rong are directors of Super Dragon.

2. Dragon Treasure is a nominee company and acts as the trustee for holding these shares in the Company on behalf of the past and present employees of the Group, including Messrs. Shi Guang Rong, Wang An Zhong and Zhu Wei Sha.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

(2) Long positions in the underlying shares of the Company

Pursuant to the existing share option scheme approved by the shareholders of the Company on 18th May 2003, Directors in the capacity as beneficial owners were granted unlisted and physically settled share options to subscribe for shares of the Company, details of which as at 31st December 2009 were as follows:

				Number of share options				
Name of Director	Date of grant	Exercise price per share HK$	Exercisable period	At 1st January 2009	Exercised during the year	Granted during the year	Cancelled/ lapsed during the year	At 31st December 2009
Mr. Wang An Zhong	26th December 2006	0.2975	26th December 2006 – 17th May 2013	1,600,000	–	–	–	**1,600,000**
Mr. Shi Guang Rong	26th December 2006	0.2975	26th December 2006 – 17th May 2013	600,000	–	–	–	**600,000**
Mr. Wu Jia Jun	26th December 2006	0.2975	26th December 2006 – 17th May 2013	960,000	–	–	–	**960,000**
Mr. Zhong Peng Rong	26th December 2006	0.2975	26th December 2006 – 17th May 2013	1,600,000	–	–	–	**1,600,000**
Ms. Shen Yan	26th December 2006	0.2975	26th December 2006 – 17th May 2013	960,000	–	–	–	**960,000**

Save as disclosed above, none of the Directors or chief executive of the Company had, as at 31st December 2009, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as required to be notified to the Company and the Exchange pursuant to the minimum standards of dealing by Directors as referred to in rule 5.46 of the GEM Listing Rules.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far as is known to any Director or chief executive of the Company, as at 31st December 2009, the following is a list of the substantial shareholders (other than Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in the shares of the Company

Name of shareholders	Nature of interests	Number of ordinary shares	Capacity	Percentage to the issued share capital of the Company
Super Dragon *(Note 1)*	Corporate	660,000,000	Beneficial owner	40.48%
Dragon Treasure *(Note 2)*	Corporate	359,280,000	Trustee	22.04%

Notes:

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

2. Dragon Treasure is a nominee company and acts as the trustee for holding these shares in the Company on behalf of the past and present employees of the Group, including Messrs. Shi Guang Rong, Wang An Zhong and Zhu Wei Sha, whose interests in the shares and underlying shares of the Company are disclosed in the section "Interests and short positions of Directors and chief executive in the shares, underlying shares and debentures" above.

Save as disclosed above, as at 31st December 2009, the Company had not been notified by any person (other than Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

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

Purchases

–	the largest supplier	13.3%
–	five largest suppliers combined	42.0%

Sales

–	the largest customer	68.4%
–	five largest customers combined	88.1%

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

COMPETING INTERESTS

None of the Directors or management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has an interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group during the year.

PUBLIC FLOAT

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

AUDITOR

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

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

Hong Kong, 22nd March 2010

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential for the rapid growth of the Group and for safeguarding and maximizing shareholders' interests.

The Group has adopted a set of Code on Corporate Governance ("Company Code") which sets out the corporate standards and practices used by the Group to direct and manage its business affairs. It is prepared by referencing to the principles, code provisions and recommended best practices set out in the Code on Corporate Governance Practices ("GEM Code") contained in Appendix 15 of the GEM Listing Rules, which came into effect on 1st January 2005. The Board will continue to monitor and revise the Company Code and assess the effectiveness of our corporate governance practices in tandem with changes in the environment and requirements under the GEM Code, to ensure the Company Code is in line with the expectations and interests of shareholders and comply with the GEM Code and the GEM Listing Rules.

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

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

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

SECURITIES TRANSACTIONS BY DIRECTORS

Although the Company has not adopted any code of conduct regarding the Directors' securities transactions, it has made specific enquiry of all Directors and all Directors have confirmed that they have complied with all the required standards of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules during the year under review.

BOARD COMPOSITION

The Board is responsible for managing the Company on behalf of shareholders. The Board is of the view that it is the Directors' responsibility to create value for shareholders as a whole and safeguard the best interests of the Company and the shareholders by discharging its duties in a dedicated, diligent and prudent manner on the principle of good faith.

The Board comprises a total of seven Directors, with four executive Directors, namely, Mr. Zhu Wei Sha (Chairman), Mr. Chen Fu Rong (Deputy Chairman), Mr. Shi Guang Rong and Mr. Wang An Zhong; and three Independent Non-executive Directors, namely, Mr. Wu Jia Jun, Mr. Zhong Peng Rong and Ms. Shen Yan, Ms. Shen Yan has appropriate professional qualifications and expertise in accounting and auditing.

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

The primary functions of the Board include:

- deciding on the overall strategies, overseeing operational and financial performance and formulating appropriate policies to manage risk exposure associated with realizing the strategies and goals of the Group;

- being held accountable for the internal control system of the Group and responsible for reviewing its effectiveness;

- being ultimately responsible for preparing financial accounts and discussing the performance, financial conditions and prospects of the Group in a balanced, clear and comprehensible manner. These responsibilities are applicable to quarterly, interim and annual reports of the Company, other price sensitive announcements published according to the GEM Listing Rules and disclosure of other financial information, reports submitted to regulatory bodies and information discloseable under statutory requirements;

- whilst executive Directors, who oversee the overall business of the Group, are responsible for the daily operations of the Group, the Board is responsible for affairs involving the overall policies, finance and shareholders of the Company, namely financial statements, dividend policy, significant changes to accounting policies, annual operating budgets, material contracts, major financing arrangements, principal investment and risk management strategy. Implementation and execution of such decisions is delegated to the management; and

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

The management is well informed of its powers and duties with clear guidelines and instructions, in particular regarding situations under which reporting to the Board is necessary and matters that require the approval of the Board before any decisions or commitments can be made on behalf of the Company.

BOARD COMPOSITION *(Continued)*

The full Board meets at least four times a year, at approximately quarterly intervals, to review the financial performance, results of each period, material investments and other matters of the Group that require the resolution of the Board. Simultaneous conference call may be used to improve attendance when individual Director cannot attend the meeting in person.

In 2009, the Board held four full Board meetings. The attendance record of each member of the Board is set out below:

Executive Directors	**Attendance**
Mr. Zhu Wei Sha *(Chairman)*	4/4
Mr. Chen Fu Rong *(Deputy Chairman)*	4/4
Mr. Wang An Zhong	4/4
Mr. Shi Guang Rong	4/4
Independent Non-executive Directors	
Mr. Wu Jia Jun	4/4
Mr. Zhong Peng Rong	4/4
Ms. Shen Yan	4/4

All the Independent Non-executive Directors are appointed for two-year term, and subject to rotation and re-election pursuant to the Company's Bye-laws. Details of their appointment are referred to the section "Directors' Service Contracts" on page 19.

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

NOMINATION OF DIRECTORS

The Board is responsible for considering the suitability of a candidate to act as a director, and approving and terminating the appointment of a director. The chairman of the Board is mainly responsible for identifying suitable candidates for the Board when there is a vacancy or an additional director is considered necessary. The chairman of the Board will propose the appointment of such candidates to the Board for consideration and the Board will review the qualifications of the relevant candidates to determine the suitability to the Group on the basis of their qualifications, experience and background. The decision of appointing directors must be approved by the Board. Any newly appointed director shall hold office only up to the next following AGM of the Company and shall then be eligible for re-election at that meeting.

REMUNERATION COMMITTEE

The remuneration committee of the Company was established in October 2005. It comprises Mr. Sun Li Jun (Chairman), Mr. Wang An Zhong and all Independent Non-executive Directors, Mr. Wu Jia Jun, Mr. Zhong Peng Rong and Ms. Shen Yan. The remuneration committee performs its functions, which primarily include assisting the Board in the overall management of the remuneration practices of the Group to ensure that effective policies, processes and practices are implemented in respect of the incentives for the executive Directors and senior management, in accordance with provision B.1.3 of the GEM Code.

During the year 2009, the remuneration committee of the Company convened two meetings, in which the remuneration committee reviewed and approved the remuneration packages of the executive Directors and senior management.

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

Members	**Attendance**
Mr. Sun Li Jun *(Chairman)*	2/2
Mr. Wang An Zhong	2/2
Mr. Wu Jia Jun	2/2
Mr. Zhong Peng Rong	2/2
Ms. Shen Yan	2/2

AUDITOR'S REMUNERATION

The remuneration in respect of audit services provided by the auditor, Mazars, to the Group in the year 2009 amounted to HK$926,000. Non-audit services (including tax services and review of interim report and financed information) provided by Mazars to the Group in the year 2009 were amounting to HK$366,000.

AUDIT COMMITTEE

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

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

The attendance record of each member of the Committee is set out below:

Members	**Attendance**
Ms. Shen Yan *(Chairman)*	4/4
Mr. Zhong Peng Rong	4/4
Mr. Wu Jia Jun	4/4

The Committee has carefully reviewed the Company's quarterly, half-yearly and annual results and internal control system of the Group and has made suggestions to improve them. The Committee also carried out and discharged its duties set out in the GEM Code.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR ACCOUNTS

Statements of Directors' responsibilities for preparing the financial statements and external auditor's reporting responsibilities are set out in the "Independent Auditor's Report".

INTERNAL CONTROL

The Directors have reviewed and are satisfied with the effectiveness of the Group's internal control system, including, in particular, financial, operational and compliance controls and risk management functions, to safeguard the Group's assets against unauthorised use or disposition, and to protect the interests of the shareholders.

MAZARS

TO THE SHAREHOLDERS OF
YUXING INFOTECH HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Yuxing InfoTech Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 90, which comprise the consolidated and the Company's balance sheet as at 31st December 2009, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda (as amended), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

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

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of Hong Kong Companies Ordinance.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 22nd March 2010

Eunice Y M Kwok
Practising Certificate number: P04604

Consolidated Income Statement

For the year ended 31st December 2009

	Notes	2009 HK$'000	2008 HK$'000
Turnover	7	**167,673**	155,167
Cost of sales		**(143,252)**	(122,699)
Gross profit		**24,421**	32,468
Other revenue and net income	8	**17,398**	49,907
Distribution and selling expenses		**(7,962)**	(9,217)
General and administrative expenses		**(60,392)**	(84,488)
Other operating expenses		**(901)**	(12,239)
Fair value gain/(loss) on investment properties	16	**4,170**	(5,300)
Impairment loss on property, plant and equipment	17	**–**	(6,137)
Loss from operations	9	**(23,266)**	(35,006)
Finance costs	12	**(852)**	(1,571)
Loss before taxation		**(24,118)**	(36,577)
Taxation	13	**–**	–
Loss attributable to equity holders of the Company	14	**(24,118)**	(36,577)
Loss per share	15		
– Basic		**(1.48)cents**	(2.25) cents
– Diluted		**(1.48)cents**	(2.25) cents

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2009

	2009 HK$'000	2008 HK$'000
Loss attributable to equity holders of the Company	**(24,118)**	(36,577)
Other comprehensive income:		
Change in fair value of available-for-sale financial assets	**1,275,063**	(3,069,998)
Exchange differences arising on translation of PRC subsidiaries	**4,630**	253,402
Other comprehensive income/(loss) for the year	**1,279,693**	(2,816,596)
Total comprehensive income/(loss) attributable to equity holders of the Company	**1,255,575**	(2,853,173)

Consolidated Balance Sheet

As at 31st December 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Investment properties	16	**28,470**	24,300
Property, plant and equipment	17	**97,254**	108,917
Prepaid lease payments	18	**13,146**	13,476
Intangible assets	19	**–**	–
Available-for-sale financial assets	21	**2,405,260**	1,128,403
Dividend Receivable	31(a)	**8,688**	–
		2,552,818	1,275,096
CURRENT ASSETS			
Inventories	23	**34,973**	26,821
Trade and other receivables	24	**70,533**	55,184
Prepaid lease payments	18	**351**	351
Financial assets at fair value through profit or loss	22	**6,378**	4,901
Pledged bank deposits		**13,205**	–
Cash and bank balances		**53,274**	59,478
		178,714	146,735
Investment in an unconsolidated subsidiary held for sale	27	**8,177**	–
		186,891	146,735
CURRENT LIABILITIES			
Trade and other payables	25	**66,895**	50,533
Bank loans	26	**34,170**	1,015
Tax payable		**–**	30
		101,065	51,578
Liabilities directly associated with investment in an unconsolidated subsidiary held for sale	27	**8,177**	–
		109,242	51,578
NET CURRENT ASSETS		**77,649**	95,157
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,630,467**	1,370,253
NON-CURRENT LIABILITIES			
Bank loans	26	**14,259**	13,339
		14,259	13,339
NET ASSETS		**2,616,208**	1,356,914
CAPITAL AND RESERVES			
Share capital	28	**40,757**	40,720
Reserves	29	**2,575,451**	1,316,194
TOTAL EQUITY		**2,616,208**	1,356,914

Approved by the Board on 22nd March 2010 and signed on behalf of the Board by:

Zhu Wei Sha
Chairman

Shi Guang Rong
Vice President

Balance Sheet

As at 31st December 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	20	**625,266**	624,624
CURRENT ASSETS			
Trade and other receivables	24	**315**	601
Cash and bank balances		**1,414**	4,882
		1,729	5,483
CURRENT LIABILITIES			
Trade and other payables	25	**613**	380
Amounts due to subsidiaries	20	**34,872**	34,872
		35,485	35,252
NET CURRENT LIABILITIES		**(33,756)**	(29,769)
NET ASSETS		**591,510**	594,855
CAPITAL AND RESERVES			
Share capital	28	**40,757**	40,720
Reserves	29	**550,753**	554,135
TOTAL EQUITY		**591,510**	594,855

Approved by the Board on 22nd March 2010 and signed on behalf of the Board by:

Zhu Wei Sha
Chairman

Shi Guang Rong
Vice President

Consolidated Statement of Changes in Equity

For the year ended 31st December 2009

	Attributable to equity holders of the Company								
						Other comprehensive income			
	Share Capital HK$'000	Share premium HK$'000	Statutory reserves HK$'000	Contributed surplus HK$'000	Share option reserves HK$'000	Investment revaluation reserves HK$'000	Translation reserves HK$'000	Retained profits HK$'000	Total equity HK$'000
At 1st January 2008	40,528	4,246	20,190	234,621	16,998	3,585,077	176,370	118,273	4,196,303
Issue of shares under share option scheme	192	3,023	–	–	(931)	–	–	–	2,284
Equity-settled share-based payment	–	–	–	–	11,500	–	–	–	11,500
Total comprehensive (loss)/income for the year	–	–	–	–	–	(3,069,998)	253,402	(36,577)	(2,853,173)
At 31st December 2008 and at 1st January 2009	40,720	7,269	20,190	234,621	27,567	515,079	429,772	81,696	1,356,914
Issue of shares under share option scheme	37	498	–	–	(99)	–	–	–	436
Equity-settled share-based payment	–	–	–	–	3,283	–	–	–	3,283
Total comprehensive income/(loss) for the year	–	–	–	–	–	1,275,063	4,630	(24,118)	1,255,575
At 31st December 2009	**40,757**	**7,767**	**20,190**	**234,621**	**30,751**	**1,790,142**	**434,402**	**57,578**	**2,616,208**

Consolidated Cash Flow Statement

For the year ended 31st December 2009

	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES		
Loss before taxation	**(24,118)**	(36,577)
Adjustments for:		
Impairment in respect of trade receivables	**–**	2,351
Reversal of write-down of inventories	**(1,139)**	(2,972)
Reversal of impairment on trade receivables	**(347)**	–
Interest income	**(427)**	(556)
Interest paid	**852**	1,571
Dividend income	**(8,720)**	(40,311)
Fair value (gain)/loss on investment properties	**(4,170)**	5,300
Amortisation of intangible assets	**–**	729
Impairment on intangible assets	**–**	841
Amortisation of prepaid lease payments	**351**	347
Depreciation of property, plant and equipment	**7,772**	9,080
Impairment on property, plant and equipment	**–**	6,137
Impairment on inventory	**7,375**	2,010
(Gain)/Loss on disposal of property, plant and equipment	**(215)**	5
(Gain)/Loss on disposal of financial assets at fair value through profit or loss	**(2,818)**	10,045
Net unrealised holding loss on financial assets at fair value through profit or loss	**200**	1,171
Reversal of impairment on other receivables	**(63)**	–
Share option expenses	**3,283**	11,500
Write back of litigation	**–**	(234)
OPERATING LOSS BEFORE CHANGES IN WORKING CAPITAL	**(22,184)**	(29,563)
Increase in inventories	**(14,353)**	(1,998)
Increase in trade and other receivables	**(14,888)**	(9,659)
Increase in trade and other payables	**27,064**	7,964
Decrease in provisions	**–**	(891)
CASH USED IN OPERATIONS	**(24,361)**	(34,147)
Income taxes paid	**(30)**	(606)
NET CASH USED IN OPERATING ACTIVITIES	**(24,391)**	(34,753)

Consolidated Cash Flow Statement

For the year ended 31st December 2009

	2009 HK$'000	2008 HK$'000
INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	**(91,334)**	(105,424)
Purchase of property, plant and equipment	**(4,023)**	(1,861)
Additions of intangible assets	**–**	(1,587)
Proceeds from disposal of financial assets at fair value through profit or loss	**92,476**	94,519
Interest received	**427**	556
Dividend received	**39**	40,311
Proceeds from disposal of property, plant and equipment	**119**	1
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	**(2,296)**	26,515
FINANCING ACTIVITIES		
Proceeds from issue of shares under share option scheme	**436**	2,284
New bank loans raised	**423,368**	22,822
Repayment of bank loans	**(389,294)**	(49,811)
Interest paid	**(852)**	(1,571)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	**33,658**	(26,276)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**6,971**	(34,514)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**59,478**	90,960
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**30**	3,032
CASH AND CASH EQUIVALENTS AT END OF YEAR	**66,479**	59,478
Analysis of the balances of cash and cash equivalents:		
Pledged bank deposits	**13,205**	–
Cash and bank balances	**53,274**	59,478
	66,479	59,478

1. CORPORATE INFORMATION

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM").

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

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are detailed in note 36 to the financial statements.

2. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

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

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2008 financial statements. The adoption of new/revised HKFRSs that are relevant to the Group effective from the current year had no significant effects on the Group's results and financial position for the current and prior years. A summary of the principal accounting policies adopted by the Group is set out below.

HKAS 1 (Revised): Presentation of Financial Statements

HKAS 1 (Revised) requires transactions with owners to be presented separately from all other income and expenses in a revised statement of changes in equity. The revised Standard however allows non-owner changes in equity to be shown in a single statement (the statement of comprehensive income) or two statements (the income statement and the statement of other comprehensive income). The Company has elected to prepare two statements. In addition, the revised Standard requires that when comparative information is restated or reclassified, a balance sheet as at the beginning of the comparative period, in addition to the balance sheet as at the end of the current period and the comparative period, should be presented. Since the Company did not restate comparative information during the year, this new requirement has no impact on the financial statements.

HKFRS 8: Operating Segments

The Standard, replacing HKAS 14: Segment Reporting, requires segment information to be reported based on internal information used by management to evaluate the performance of operating segments and allocate resources to those segments. The Group has determined that its operating segments are different to the business segments previously identified under HKAS 14. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management, and has resulted in additional reportable segments being identified and presented (see note 7). Corresponding amounts have been provided on a basis consistent with the revised segment information.

HKAS 23 (Revised): Borrowing costs

HKAS 23 (Revised) eliminated the option to expense borrowing costs and requires that borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset should be capitalised as part of the cost of that asset. Since the Group has not previously adopted the option to expense borrowing costs, the revised Standard has no impact on the financial statements.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

Amendments to HKFRS 2: Share-based payments – Vesting conditions and cancellations

Amendments to HKFRS 2 clarify that vesting conditions include service and performance conditions only, and all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The adoption of these amendments had no impact on the financial statements.

Amendments to HKAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

Amendments to HKAS 27 remove the distinction between dividends distributed from pre- and post-acquisition profits from the definition of the cost method and replace it with a requirement to recognise all dividends received in profit or loss once the entity's right to receive the dividend is established. As from 1st January 2009, all dividends receivable from subsidiaries, associates and jointly controlled entities are recognised in the Company's profit or loss regardless of whether they are made out of the pre- or post-acquisition profits. The carrying amount of the investment in the investee however is assessed for impairment as a result of the investee declaring the dividend. In accordance with the transitional provision in the Amendment, the new policy is applied only prospectively from the current period and thus no restatement to prior periods is necessary.

Improvements to HKFRS (2008)

Improvements to HKFRS (2008) contain improvements to a number of Standards aiming to remove inconsistencies and clarify wording in the Standards. The adoption of those improvements had resulted in a number of changes in the details of the Group's accounting policies. Of those changes, only those as described below are considered more significant to the Group:

Amendments to HKFRS 7 Financial Instruments: Disclosures

Amendments to HKFRS 7 require additional disclosure about fair value measurements and liquidity risk. The fair value measurement disclosures are presented in note 6, and the liquidity risk disclosures are not significantly impacted by the amendments. The Group has taken advantage of the transitional provisions set out in the amendments, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments are not provided in the financial statements.

Amendments to HKAS 36: Impairment of Assets

The Amendments require additional disclosures to be made when discounted cash flows are used to estimate "fair value less cost to sell", which are consistent with the disclosures required when the discounted cash flows are used to estimate "value in use".

(b) Basis of measurement

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Basis of consolidation

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

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

Non-controlling interest represents the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from equity holders of the Company. Losses applicable to the minority shareholders in excess of their interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority shareholder has a binding obligation and is able to make an additional investment to cover the losses.

(d) Subsidiaries

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

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

(e) Subsidiary not consolidated

As stated in note 27 to the financial statements, 北京聚聯富電子技術有限公司(“北京聚聯富”), a subsidiary of the Group, was acquired by the Group exclusively with a view to its subsequent disposal in the near future. The investment in this subsidiary is therefore accounted for as a disposal asset held for sale and stated at the lower of carrying amount and fair value less cost to sell as at 31st December 2009.

(f) Property, plant and equipment

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

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

(g) Investment properties

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

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

(h) Prepaid lease payments for leasehold land

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

(i) Intangible assets

Research and development costs

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

Patents, trademarks and film and musical recording rights

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

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

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments

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

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

Financial assets at fair value through profit or loss

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

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

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

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

Loans and receivables

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

Available-for-sale financial assets

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

Impairment of financial assets

At each balance sheet date, the Group assesses whether there is objective evidence that financial assets, other than those at fair value through profit or loss, are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through income statement when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

Financial liabilities

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

(k) Cash equivalents

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

(l) Inventories

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

(m) Revenue recognition

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Revenue recognition *(Continued)*

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

(n) Foreign currency translation

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

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

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

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

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

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

(o) Impairment of other assets

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(o) Impairment of other assets *(Continued)*

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

(p) Borrowing costs

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

(q) Provisions

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

(r) Leases

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

(s) Employee benefits

Short term employee benefits

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

Defined contribution plans

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(s) Employee benefits *(Continued)*

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

(t) Share-based payment transactions

Equity-settled transactions

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

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

(u) Taxation

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(v) Related parties

A party is related to the Group if:

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

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

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

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

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

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

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

(w) Segment reporting

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

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

3. FUTURE CHANGES IN HKFRSs

At the date of authorisation of these financial statements, the HKICPA has issued the following new/revised HKFRS that are not yet effective for the current year, which the Group has not early adopted.

HKFRS 3 (Revised)	*Business Combinations*[1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[1]
Amendments to HKAS 39	*Eligible Hedged Items*[1]
Improvements to HKFRS 2009	*Improvements to HKFRS 2009*[2]
Amendments to HKFRS 2	*Share-based Payment – Group Cash-settled Share-based Payment Transactions*[3]
Amendments to HKAS 32	*Financial Instruments: Presentation – Classification of Rights Issues*[4]
HKAS 24 (Revised)	*Related Party Disclosures*[5]
HKFRS 9	*Financial Instruments*[6]
HK(IFRIC) – Int 17	*Distributions of non-cash Assets to Owners*[1]

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 July 2009 or 1 January 2010
[3] Effective for annual periods beginning on or after 1 January 2010
[4] Effective for annual periods beginning or after 1 February 2010
[5] Effective for annual periods beginning on or after 1 January 2011
[6] Effective for annual periods beginning on or after 1 January 2013

The Directors anticipate that the adoption of these new/revised HKFRSs in the future periods will have no material impact on the results of the Group.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions.

Allowance for inventories

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

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

Impairment in respect of trade receivables

The provisioning policy for impairment in respect of trade receivables of the Group is based on the evaluation by management of the collectability of the accounts receivable. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment will be required. At the balance sheet date, the carrying amount of receivables after provision for impairment amounted to approximately HK$31,307,000 *(2008: approximately HK$31,787,000)*.

Impairment of investment in subsidiaries

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

5. CAPITAL MANAGEMENT

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

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

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

In 2009, the Group's strategy, which was unchanged from 2008, was to maintain the gearing ratio at the lower end of the range 5% to 10%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

5. CAPITAL MANAGEMENT *(Continued)*

The debt-to-equity ratio at 31st December 2009 and 2008 was as follows:

		Group		Company	
		2009	2008	**2009**	2008
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Current liabilities:					
Trade and other payables	25	**66,895**	50,533	**613**	380
Bank loans	26	**34,170**	1,015	**–**	–
Amounts due to subsidiaries	20	**–**	–	**34,872**	34,872
		101,065	51,548	**35,485**	35,252
Liabilities directly associated with investment in an unconsolidated subsidiary held for sale	27	**8,177**	–	**–**	–
		109,242	51,548	**35,485**	35,252
Non-current liabilities:					
Bank loans	26	**14,259**	13,339	**–**	–
Total debt		**123,501**	64,887	**35,485**	35,252
Total equity		**2,616,208**	1,356,914	**591,510**	594,855
Debt-to-equity ratio		**4.7%**	4.8%	**6.0%**	5.9%

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

6. FINANCIAL INSTRUMENTS

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

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

(a) Credit risk

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

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the balance sheet date, the Group has a certain concentration of credit risk as 23.9% *(2008: 28.4%)* and 41.1% *(2008: 54.9%)* of the total trade and other receivables was due from the Group's largest customer and the five largest customers respectively within the business segment.

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

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

(b) Liquidity risk

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

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk *(Continued)*

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

Group

	2009						2008					
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
Trade and other payables *(note 25)*	66,895	66,895	66,895	–	–	–	50,533	50,533	50,533	–	–	–
Bank loans *(note 26)*	48,429	51,187	34,542	1,472	4,416	10,757	14,354	16,728	1,360	1,360	4,080	9,928
	115,324	118,082	101,437	1,472	4,416	10,757	64,887	67,261	51,893	1,360	4,080	9,928

Company

	2009						2008					
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
Other payables *(note 25)*	613	613	613	–	–	–	380	380	380	–	–	–
Amounts due to subsidiaries *(note 20)*	34,872	34,872	34,872	–	–	–	34,872	34,872	34,872	–	–	–
	35,485	35,485	35,485	–	–	–	35,252	35,252	35,252	–	–	–

6. FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk

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

At the balance sheet date, if interest rates had been 100 basis points higher or lower and all other variables were held constant, the Group's net loss would decrease by approximately HK$157,000 or approximately HK$256,000 respectively *(2008: approximately HK$419,000 or approximately HK$13,000)*.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2008.

(d) Currency risk

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

(e) Equity price risk

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

At the balance sheet date, if the quoted market price had been 20% higher/lower while all other variables were held constant, the Group's net loss would be decreased/increased by approximately HK$1,276,000 *(2008: approximately HK$980,000)* due to change in the fair value of financial assets at fair value through profit or loss. Investment revaluation reserves would be increased/decreased by approximately HK$481,052,000 *(2008: approximately HK$225,681,000)* as a result of changes in fair value of available-for-sale investments. The Group's sensitivity to equity price has not changed significantly from the prior year.

The sensitivity analysis has been determined assuming that the reasonably possible changes in the stock market index or other relevant risk variables had occurred at the balance sheet date and had been applied to the exposure to equity price risk in existence at that date. It is also assumed that the fair values of the Group's investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, that none of the Group's securities investments would be considered impaired as a result of a reasonably possible decrease in the relevant stock market index or other relevant risk variables, and that all other variables remain constant. The stated changes represent management's assessment of reasonably possible changes in the relevant stock market index or the relevant risk variables over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2008.

6. FINANCIAL INSTRUMENTS *(Continued)*

(f) Fair value

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

The following presents the carrying value of financial instruments measured at fair value at 31st December 2009 across the three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

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

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

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

Assets measured at fair value

	31st December 2009 HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Financial assets at fair value through profit or loss *(note 22)*	**6,378**	**6,378**	**–**	**–**
Available-for-sale financial assets *(note 21)*	**2,405,260**	**–**	**–**	**2,405,260**

During the year ended 31st December 2009, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements. The only movement in the Level 3 equity shares since 1st January 2009, excluding the effect of the exchange realignment, was a fair value increase of approximately HK$1,275,063,000 which has been recorded in other comprehensive income.

6. FINANCIAL INSTRUMENTS *(Continued)*

(f) Fair value *(Continued)*

Assets measured at fair value based on Level 3

Fair value measurement at 31st December 2009

Description	Available-for-sale financial assets HK$'000
Opening balance	**1,128,403**
In other comprehensive income	
Increase in fair vale	**1,275,063**
Exchange realignment	**1,794**
Closing balance	**2,405,260**
Total gains or losses for the year included in profit or loss for assets held at the end of the balance sheet date	**–**

Significant assumptions used in determining fair value of available-for-sale financial assets:

Basis of determining fair value of the available-for-sale financial assets has been detailed in note 21 to these financial statements. In particular, the market value of shares of Ping An Insurance (Group) Company of China Limited ("Ping An Shares") has been reduced by RMB14.14 (equivalent to HK$16.06) per share *(2008: RMB7.45 (equivalent to HK$8.45) per share)* because of the lack of marketability during the freezing order as detailed in note 31(a). Should the reduction in market value of Ping An Shares for the lack of marketability be 10% higher/lower while all the other variables were held constant, the carrying amount of the shares would decrease/increase by approximately HK$81,901,000 *(2008: approximately HK$43,083,000)*.

7. SEGMENT INFORMATION

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

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

The investing segment is principally engaged in investment in available-for-sale financial assets and trading of securities.

The trading segment is principally engaged in selling electronic components and miscellaneous products to business partners.

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

7. SEGMENT INFORMATION *(Continued)*

Business segments

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

For the year ended 31st December 2009

	Information home appliances HK$'000	Investing HK$'000	Trading HK$'000	Other operations HK$'000	Elimination HK$'000	Consolidated HK$'000
TURNOVER						
External sales	166,828	–	845	–	–	167,673
Inter-segment sales	–	–	16	–	(16)	–
REVENUE AND OTHER INCOME	–	11,538	–	1,614	–	13,152
Total	166,828	11,538	861	1,614	(16)	180,825
RESULTS						
Segment results	(10,939)	11,339	(2,225)	1,530	–	(295)
Unallocated corporate income						1,032
Interest income						427
Fair value gain on investment properties						4,170
Other unallocated corporate expenses						(28,600)
Loss from operations						(23,266)
Finance costs						(852)
Loss before taxation						(24,118)
Taxation						–
Loss for the year						(24,118)

7. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

As at 31st December 2009

	Information home appliances HK$'000	Investing HK$'000	Trading HK$'000	Other operations HK$'000	Unallocated HK$'000	Consolidated HK$'000
ASSETS						
Segment assets	222,354	2,426,568	2,671	43,352	–	2,694,945
Unallocated corporate assets					44,764	44,764
Consolidated total assets						2,739,709
LIABILITIES						
Segment liabilities	88,323	836	1,713	13,636	–	104,508
Unallocated corporate liabilities					18,993	18,993
Consolidated total liabilities						123,501
OTHER INFORMATION						
Capital additions	997	–	–	–	3,026	4,023
Depreciation and amortisation	6,473	–	–	569	1,081	8,123
Impairment on inventories	6,160	–	1,215	–	–	7,375
Reversal of write-down of inventories	1,139	–	–	–	–	1,139
Reversal of impairment on trade receivables	–	–	347	–	–	347
Bad debts	–	–	–	–	29	29

7. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

For the year ended 31st December 2008

	Information home appliances HK$'000	Investing HK$'000	Trading HK$'000	Other operations HK$'000	Elimination HK$'000	Consolidated HK$'000
TURNOVER						
External sales	140,489	–	14,678	–	–	155,167
Inter-segment sales	–	–	2,300	–	(2,300)	–
REVENUE AND OTHER INCOME	–	40,311	–	1,191	–	41,502
Total	140,489	40,311	16,978	1,191	(2,300)	196,669
RESULTS						
Segment results	(12,198)	29,097	(5,172)	1,180	–	12,907
Unallocated corporate income						2,876
Interest income						556
Fair value loss on investment properties						(5,300)
Other unallocated corporate expenses						(46,045)
Loss from operations						(35,006)
Finance costs						(1,571)
Loss before taxation						(36,577)
Taxation						–
Loss for the year						(36,577)

7. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

As at 31st December 2008

	Information home appliances HK$'000	Investing HK$'000	Trading HK$'000	Other operations HK$'000	Unallocated HK$'000	Consolidated HK$'000
ASSETS						
Segment assets	186,109	1,139,924	4,905	39,692	–	1,370,630
Unallocated corporate assets					51,201	51,201
Consolidated total assets						1,421,831
LIABILITIES						
Segment liabilities	29,982	–	2,390	14,598	–	46,970
Unallocated corporate liabilities					17,947	17,947
Consolidated total liabilities						64,917
OTHER INFORMATION						
Capital additions	1,705	–	1,587	–	156	3,448
Depreciation and amortisation	7,008	–	729	527	1,892	10,156
Impairment on inventories	2,010	–	–	–	–	2,010
Reversal of written down of inventories	–	–	2,972	–	–	2,972
Impairment in respect of trade receivables	536	–	1,815	–	–	2,351
Bad debts	27	–	–	–	–	27
Impairment on property, plant and equipment	6,137	–	–	–	–	6,137
Impairment on intangible assets	–	–	841	–	–	841

7. SEGMENT INFORMATION *(Continued)*

Geographical information

The Group operates in two principal geographical areas: the People's Republic of China (other than Hong Kong and Macau) (the "PRC") (country of domicile) and Hong Kong.

The following table sets out information about the geographical location of (i) the Group's revenue from external customers; and (ii) the Group's non-current assets including investment properties, property, plant and equipment, prepaid lease payments, intangible asset and dividend receivable. The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the non-current assets is based on the physical location of the assets.

	Revenue from external customers		Non-current assets	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
The PRC	**117,253**	39,383	**115,424**	121,843
Hong Kong	**25,463**	90,933	**32,134**	24,850
Other countries	**24,957**	24,851	**–**	–
	167,673	155,167	**147,558**	146,693

In addition to the information disclosed above, the Group generated revenue and other income from investing segment of approximately HK$8,727,000 *(2008: approximately HK$40,034,000)* and approximately HK$2,811,000 *(2008: approximately HK$277,000)* in the PRC and Hong Kong respectively, and the Group generated revenue and other income from other operations segment of approximately HK$348,000 *(2008: HK$ Nil)* and approximately HK$1,266,000 *(2008: approximately HK$1,191,000)* in the PRC and Hong Kong respectively.

Information about major customers

Included in revenues arising from external sales of information home appliances of approximately HK$166,828,000 *(2008: approximately HK$140,489,000)* are revenue of approximately HK$114,744,000 *(2008: approximately HK$86,089,000)* which arose from sales to the Group's largest customer.

8. OTHER REVENUE AND NET INCOME

	2009 HK$'000	2008 HK$'000
Other revenue		
Dividend income from unlisted securities	**8,681**	40,027
Dividend income from listed securities	**39**	284
Foreign exchange gain	**–**	2,456
Interest income	**427**	556
Rental income from investment properties	**1,266**	1,191
Rental income from buildings	**348**	–
Reversal of impairment on other receivables	**–**	15
Sundry income	**3,257**	5,378
	14,018	49,907
Other net income		
Gain on disposal of financial assets at fair value through profit or loss	**2,818**	–
Gain on disposal of property, plant and equipment	**215**	–
Reversal of impairment on trade receivables	**347**	–
	3,380	–
	17,398	49,907

9. LOSS FROM OPERATIONS

Loss from operations have been arrived at after charging:

	2009 HK$'000	2008 HK$'000
Auditor's remuneration	**926**	926
Under provision of auditor's remuneration in prior year	**–**	210
Impairment in respect of trade receivables	**–**	2,351
Amortisation of intangible assets	**–**	729
Amortisation of prepaid lease payments	**351**	347
Depreciation of property, plant and equipment	**7,772**	9,080
Cost of inventories	**143,252**	122,699
Foreign exchange loss	**402**	818
(Gain)/Loss on disposal of property, plant and equipment	**(215)**	5
Bad debts	**29**	27
Reversal of write-down of inventories*	**(1,139)**	(2,972)
Reversal of impairment on trade receivables	**(347)**	–
Reversal of impairment on other receivables	**(63)**	–
Impairment on intangible assets (included in general and administrative expenses)	**–**	841
Impairment on inventories	**7,375**	2,010
(Gain)/Loss on disposal of financial assets at fair value through profit or loss	**(2,818)**	10,045
Net unrealised holding loss on financial assets at fair value through profit or loss	**200**	1,171
Direct outgoings from leasing of investment properties	**11**	454
Operating lease charges on premises	**3,405**	3,441
Research and development costs	**2,820**	2,581
Staff costs (including Directors' emoluments (note 10)):		
Salaries and allowances	**31,607**	32,784
Share option benefits	**3,283**	11,500
Retirement scheme contributions	**3,146**	5,091
Total staff costs	**38,036**	49,375

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

10. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the seven *Directors (2008: seven) were as follows:*

		Other emoluments			
Name of Director	Fees HK$'000	Salaries, allowances and other benefits in kind HK$'000	Retirement scheme contributions HK$'000	Share option benefit HK$'000	Total HK$'000
Executive Directors					
Zhu Wei Sha	**–**	**774**	**2**	**–**	**776**
Chen Fu Rong	**–**	**360**	**12**	**–**	**372**
Shi Guang Rong	**–**	**480**	**12**	**–**	**492**
Wang An Zhong	**–**	**353**	**35**	**–**	**388**
Independent Non-executive Directors					
Wu Jia Jun	**70**	**–**	**–**	**–**	**70**
Zhong Peng Rong	**70**	**–**	**–**	**–**	**70**
Shen Yan	**70**	**–**	**–**	**–**	**70**
Total for 2009	**210**	**1,967**	**61**	**–**	**2,238**
Executive Directors					
Zhu Wei Sha	–	805	–	–	805
Chen Fu Rong	–	347	11	–	358
Shi Guang Rong	–	480	12	62	554
Wang An Zhong	–	330	49	124	503
Independent Non-executive Directors					
Wu Jia Jun	70	–	–	49	119
Zhong Peng Rong	70	–	–	49	119
Shen Yan	70	–	–	49	119
Total for 2008	210	1,962	72	333	2,577

During the year 2009 and 2008, no emoluments were paid by the Group to any Director as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any emoluments during the year.

11. INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the year, four Directors *(2008: four)* are included in the five highest paid individuals of the Group. Details of Directors' emoluments are set out in note 10 above. The emoluments of the remaining one *(2008: one)* highest paid individual, who is an employee of the Group, is as follows:

	2009 HK$'000	2008 HK$'000
Basic salaries, allowances and other benefits in kind	**636**	636
Retirement benefits scheme contributions	**12**	12
Share option benefit	**–**	17
	648	665

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

12. FINANCE COSTS

	2009 HK$'000	2008 HK$'000
Interest on bank loans wholly repayable within five years	**484**	1,128
Interest on bank loans repayable over five years	**368**	443
Total borrowing costs	**852**	1,571

13. TAXATION

The taxation charged to the income statement represents:

	2009 HK$'000	2008 HK$'000
Deferred taxation		
Origination and reversal of temporary difference	**(245)**	–
Benefit of tax losses recognised	**245**	–
Charge for the year	**–**	–

No Hong Kong Profits Tax and PRC Enterprise Income Tax has been provided for 2009 and 2008 as the Group did not have any assessable profit for both years.

13. TAXATION *(Continued)*

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

	2009 **HK$'000**	2008 HK$'000
Loss before taxation	**(24,118)**	(36,577)
Tax at a weighted average rate of 23.78% *(2008: 18.34%)* applicable to the jurisdictions concerned	**(5,736)**	(6,710)
Tax effect of non-deductible expenses	**2,443**	7,974
Tax effect of non-taxable income	**(4,015)**	(13,334)
Effect of tax exemptions granted to the PRC subsidiaries	**(205)**	(166)
Tax effect of unrecognised tax losses and timing differences	**7,513**	12,236
Tax expenses for the year	**–**	–

Recognised deferred tax assets and liabilities

	Assets		**Liabilities**	
	2009 **HK$'000**	2008 HK$'000	**2009** **HK$'000**	2008 HK$'000
Depreciation allowances	**–**	–	**(1,103)**	(858)
Tax losses	**1,103**	858	**–**	–
Deferred tax assets (liabilities)	**1,103**	858	**(1,103)**	(858)
Offsetting	**(1,103)**	(858)	**1,103**	858
Net deferred tax assets (liabilities)	**–**	–	**–**	–

Unrecognised deferred tax assets arising from

	2009 **HK$'000**	2008 HK$'000
Deductible temporary differences	**35,572**	32,824
Tax losses	**166,884**	152,971
	202,456	185,795

13. TAXATION *(Continued)*

At 31st December 2009, the Group had unrecognised deferred tax assets of approximately HK$46,379,000 *(2008: approximately HK$43,367,000)* in respect of the tax losses and other temporary differences. As it is not probable that taxable profits will be available against which the deductible temporary differences and the unused tax losses of the Group can be utilised, deferred tax assets have not been recognised. The expiry of unrecognised tax losses are as follows:

	2009 **HK$'000**	2008 HK$'000
Tax losses without expiry date	**42,632**	35,663
Tax losses expiring on 31st December 2014	**37,387**	–
Tax losses expiring on 31st December 2013	**15,328**	15,304
Tax losses expiring on 31st December 2012	**31,475**	31,425
Tax losses expiring on 31st December 2011	**15,820**	15,795
Tax losses expiring on 31st December 2010	**24,242**	24,203
Tax losses expiring on 31st December 2009	**–**	30,581
	166,884	152,971

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

14. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to equity holders of the Company includes a loss of approximately HK$7,064,000 *(2008: approximately HK$14,941,000)* which has been dealt with in the financial statements of the Company.

15. LOSS PER SHARE

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

	2009 HK$'000	2008 HK$'000
Consolidated loss attributable to equity holders of the Company	**(24,118)**	(36,577)

	2009 '000	2008 '000
Issued ordinary shares at 1st January	**1,628,808**	1,621,132
Effect of share options exercised	**317**	6,697
Weighted average number of ordinary shares for basic loss per share	**1,629,125**	1,627,829
Effect of dilutive potential ordinary shares:		
Exercise of share options	**N/A**	N/A
Weighted average number of ordinary shares for diluted loss per share	**1,629,125**	1,627,829
Loss per share:		
– Basic	**(1.48) cents**	(2.25) cents
– Diluted *(Note)*	**(1.48) cents**	(2.25) cents

Note: Diluted loss per share is the same as the basic loss per share because the effect of potential ordinary shares is anti-dilutive.

16. INVESTMENT PROPERTIES

	Group	
	2009 HK$'000	2008 HK$'000
At fair value		
At beginning of year	**24,300**	29,600
Fair value gain/(loss)	**4,170**	(5,300)
At balance sheet date	**28,470**	24,300

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

The investment properties were revalued as at 31st December 2009 on an open market basis by Vigers Appraisal & Consulting Limited ("Vigers"), which are independent qualified professional valuers not connected with the Group and have appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

17. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings held for own use HK$'000 *(Note (a))*	Leasehold Property HK$'000 *(Note (b))*	Leasehold improvements HK$'000	Office equipment, furniture and fixtures HK$'000	Plant & machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
Reconciliation of carrying amounts – year ended 31st December 2008							
At beginning of year	78,293	–	13,138	2,255	19,539	2,117	115,342
Additions	–	–	570	1,177	114	–	1,861
Impairment loss	–	–	–	–	(6,137)	–	(6,137)
Disposal	–	–	–	(4)	(3)	–	(7)
Depreciation	(2,922)	–	(1,625)	(851)	(3,185)	(497)	(9,080)
Exchange realignment	4,806	–	791	124	1,125	92	6,938
At balance sheet date	80,177	–	12,874	2,701	11,453	1,712	108,917
Reconciliation of carrying amounts – year ended 31 st December 2009							
At beginning of year	80,177	–	12,874	2,701	11,453	1,712	108,917
Additions	–	2,972	90	486	475	–	4,023
Disposal	(7,902)	–	–	(25)	(6)	(148)	(8,081)
Depreciation	(2,958)	(41)	(1,569)	(797)	(1,930)	(477)	(7,772)
Exchange realignment	125	–	19	4	18	1	167
At balance sheet date	**69,442**	**2,931**	**11,414**	**2,369**	**10,010**	**1,088**	**97,254**
At 31st December 2008							
Cost	93,356	–	19,889	7,934	32,323	4,346	157,848
Accumulated depreciation and impairment losses	(13,179)	–	(7,015)	(5,233)	(20,870)	(2,634)	(48,931)
	80,177	–	12,874	2,701	11,453	1,712	108,917
At 31st December 2009							
Cost	82,506	2,972	20,009	8,201	32,803	4,080	150,571
Accumulated depreciation and impairment losses	(13,064)	(41)	(8,595)	(5,832)	(22,793)	(2,992)	(53,317)
	69,442	**2,931**	**11,414**	**2,369**	**10,010**	**1,088**	**97,254**

Notes:

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

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

18. PREPAID LEASE PAYMENTS

Prepaid lease payments represent cost paid for medium-term leasehold land in the PRC. The cost is amortised over the leasehold period. The amount to be amortised more than twelve months after the balance sheet date amounted to approximately HK$13,146,000 *(2008: approximately HK$13,476,000)*. The amount to be amortised within the next twelve months after the balance sheet date of approximately HK$351,000 *(2008: approximately HK$351,000)* is included in current assets.

19. INTANGIBLE ASSETS

Group

	Patents and trademarks HK$'000	Film and musical recording rights HK$'000	Total HK$'000
Reconciliation of carrying amounts			
– year ended 31 st December 2008			
At beginning of year	–	–	–
Additions	1,587	–	1,587
Impairment loss	(841)	–	(841)
Amortisation	(729)	–	(729)
Exchange realignment	(17)	–	(17)
At balance sheet date	–	–	–
Reconciliation of carrying amounts			
– year ended 31 st December 2009			
At beginning of year and at balance sheet date	–	–	–
At 31st December 2008			
Cost	9,055	5,647	14,702
Accumulated amortisation and impairment losses	(9,055)	(5,647)	(14,702)
	–	–	–
At 31st December 2009			
Cost	9,067	5,656	14,723
Accumulated amortisation and impairment losses	(9,067)	(5,656)	(14,723)
	–	–	–

19. INTANGIBLE ASSETS *(Continued)*

Patents and trademarks of the Group represents the cost paid for obtaining the right to use the licence in manufacturing of information home appliances.

Film and musical recording rights of the Group represents the cost paid for obtaining the right to use the content of films and music on information home appliances and miscellaneous products.

All of the Group's intangible assets were acquired from third parties and are amortised over two to five years.

The amortisation expense has been included in the general and administrative expenses in the consolidated income statement.

20. INTERESTS IN SUBSIDIARIES

	Company	
	2009	2008
	HK$'000	HK$'000
Unlisted shares, at cost	**176,000**	176,000
Amounts due from subsidiaries	**449,266**	448,624
	625,266	624,624
Amounts due to subsidiaries	**(34,872)**	(34,872)

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

Details of subsidiaries which principally affected the results, assets or liabilities of the Group as at 31st December 2009 are set out in note 36.

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2009	2008
	HK$'000	HK$'000
Unlisted equity securities		
– Equity interest in JI *(Note)*	**2,405,260**	1,128,403

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

Note:

Pursuant to an agreement dated 10th August 2004, the Group through its wholly-owned subsidiary Beijing Golden Yuxing Electronics and Technology Company Limited ("Golden Yuxing") acquired a 10.435% equity interest in Shenzhen Jiangnan Industrial Development Co., Ltd ("JI"), a company which holds, among others, Ping An Shares which was listed on the Shanghai Stock Exchange in the PRC on 1st March 2007, for a consideration of RMB217,000,000 (equivalent to approximately HK$204,274,000) (the "Acquisition") from Sanshui Jianlibao Health Industry Investment Co., Ltd ("SJHII"), a company in which Mr. Zhu Wei Sha, a Director of the Company, had an effective 8.1% equity interest. Mr. Zhu Wei Sha ceased to have any equity interests in SJHII after November 2004. The said consideration was determined with reference to the value of 51,000,000 Ping An Shares held directly by JI, a company whose principal assets were 479,117,788 Ping An Shares (subsequently reduced to 139,112,886 Ping An Shares as at 31st December 2007).

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

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

On 24th October 2007, a moratorium on the 36.66% equity interest in JI, and hence on its undertaking and all assets including the 51,000,000 Ping An Shares, currently held by Golden Yuxing was imposed by the People's Court of Beijing in relation to the repayment arrangement between Golden Yuxing and Sheng Bang Qiang Dian Electronics (Shenzhen) Co., Ltd. ("Shenzhen Sheng Bang"), both of which are wholly-owned subsidiaries of the Group. The moratorium will expire on 22nd October 2010

The Intermediate People's Court of Fo Shan, Guangdong Province (the "Intermediate Court of Fo Shan") imposed two standby moratoriums on 24th October 2007 and 30th October 2007 respectively on the 4.6958% and 11.8371% equity interest in JI held by Golden Yuxing. However, the Directors were not aware of the background and reasons for these two standby moratoriums, as further detailed in the Company's announcement on 6th November 2007.

Following the expiration of the above mentioned share management agreement, Golden Yuxing entered into a bilateral agreement (the "Agreement") with another shareholder of JI who holds 63.34% equity interest in JI on 15th September 2009, under which both parties agreed on rights to the interests in Ping An Shares attributed to each of Golden Yuxing and the other shareholder of JI, including rights to profit sharing, share placement rights, the rights to pledge shares and use them for guarantee, voting rights and methods for equity transfers in future, etc. According to the Agreement, Golden Yuxing holds the equity interest in 51,000,000 Ping An Shares through JI, while Golden Yuxing has no significant influence over JI's financial and operating policy decisions.

As at 31st December 2009, the equity interest in JI held by the Group was revalued by Vigers, to approximately RMB2,117,831,000 (equivalent to approximately HK$2,405,260,000) *(2008: approximately RMB995,138,000 (equivalent to approximately HK$1,128,403,000))*. The valuation was arrived at by reference to the PRC audited financial statements of JI as at 31st December 2009 and adjusted by the market value of 51,000,000 Ping An Shares at 31st December 2009. In determining the market value of Ping An Shares, impact on the freezing order as detailed in note 31(a) has been taken into consideration. The Group recorded a revaluation surplus on the interests in JI of approximately RMB1,122,693,000 (equivalent to approximately HK$1,275,063,000) *(2008: a revaluation deficit of approximately RMB2,707,431,000 (equivalent to approximately HK$3,069,998,000))* as at 31st December 2009.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2009	2008
	HK$'000	HK$'000
Held-for-trading investments (at market value):		
Listed equity securities in Hong Kong	**5,140**	3,414
Listed equity securities outside Hong Kong	**680**	432
Investment funds	**558**	1,055
	6,378	4,901

23. INVENTORIES

	Group	
	2009	2008
	HK$'000	HK$'000
Merchandise	**491**	3,085
Raw materials	**17,895**	14,615
Work-in-progress	**7,396**	461
Finished goods	**9,191**	8,660
	34,973	26,821

24. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade and bills receivables	**36,023**	36,845	**–**	–
Less: Impairment in respect of trade receivables	**(4,716)**	(5,058)	**–**	–
	31,307	31,787	**–**	–
Other receivables	**21,235**	19,319	**–**	–
Prepayments and deposits	**17,991**	4,078	**315**	601
	70,533	55,184	**315**	601

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

24. TRADE AND OTHER RECEIVABLES *(Continued)*

The Group grants its trade customers an average credit period of 30 to 120 days *(2008: 30 to 90 days)*. The ageing analysis by delivery date of trade and bills receivables (net of impairment) at the balance sheet date is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
0-30 days	**12,794**	5,334
31-60 days	**13,996**	5,545
61-90 days	**989**	509
Over 90 days	**3,528**	20,399
	31,307	31,787

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

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

	Group	
	2009	2008
	HK$'000	HK$'000
At 1st January	**5,058**	2,583
Impairment losses recognised	**–**	2,351
Reversal of impairment loss	**(347)**	–
Exchange realignment	**5**	124
At 31st December	**4,716**	5,058

24. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	Group	
	2009	2008
	HK$'000	HK$'000
Neither past due nor impaired	**26,710**	8,427
Less than 3 months past due	**1,149**	10,803
3 months to 6 months past due	**–**	9,824
6 months to 9 months past due	**736**	38
Past due over 9 months	**2,712**	2,695
Past due but not impaired	**4,597**	23,360
	31,307	31,787

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

25. TRADE AND OTHER PAYABLES

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables *(Note)*	**42,396**	20,473	**–**	–
Other payables	**9,993**	10,508	**1**	10
Accruals	**14,506**	19,552	**612**	370
	66,895	50,533	**613**	380

Note:

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

	Group	
	2009	2008
	HK$'000	HK$'000
0-30 days	**18,341**	6,976
31-60 days	**9,592**	3,227
61-90 days	**3,386**	713
Over 90 days	**11,077**	9,557
	42,396	20,473

26. BANK LOANS

Bank loans comprises:

	Group	
	2009	2008
	HK$'000	HK$'000
Secured	**48,429**	14,354
On demand or within one year	**34,170**	1,015
Between one and two years	**1,128**	1,041
Between two and five years	**3,555**	3,281
Over five years	**9,576**	9,017
	48,429	14,354
Less: Current portion	**(34,170)**	(1,015)
Non-current portion	**14,259**	13,339
The maturity of bank loans is as follows:		
Wholly repayable within five years	**33,070**	–
Wholly repayable more than five years	**15,359**	14,354
	48,429	14,354

As at 31st December 2009, interests were charged on the bank loans at rates ranging from 2.45%-5% *(2008: 2.25%-2.5%)* per annum. The bank loans were secured by the assets of the Group as disclosed in note 30.

27. UNCONSOLIDATED SUBSIDIARY HELD FOR SALE

	Group	
	2009	2008
	HK$'000	HK$'000
Carrying amount of investment cost	**8,177**	–
Liabilities directly associated with investment in an unconsolidated subsidiary held for sale, represented by deposits received	**8,177**	–

During the year ended 31st December 2009, the Group acquired 69.9% equity interest in 北京聚聯富 by way of injection of certain property, plant and equipment held by the Group (with carrying value of approximately HK$7,925,000) at their fair value of approximately HK$8,177,000.

The financial statements of 北京聚聯富 have not been included in the consolidated financial statements of the Group as it was acquired exclusively with a view for resale in the near future at a consideration of approximately HK$8,177,000. Full amount of the consideration of approximately HK$8,177,000 was received from the buyers as deposits before the balance sheet date.

The disposal of this subsidiary was completed subsequent to the balance sheet date.

28. SHARE CAPITAL

	Number of shares		Share capital	
	31st December	31st December	**31st December**	31st December
	2009	2008	**2009**	2008
	'000	'000	**HK$'000**	HK$'000
Authorised:				
At beginning of year and at end of year				
Ordinary shares of HK$0.025 each	**8,000,000**	8,000,000	**200,000**	200,000
Issued and fully paid:				
At beginning of year				
Ordinary shares of HK$0.025 each	**1,628,808**	1,621,132	**40,720**	40,528
Exercise of share options *(Note)*	**1,464**	7,676	**37**	192
At end of year				
Ordinary shares of HK$0.025 each	**1,630,272**	1,628,808	**40,757**	40,720

Note:

During the year ended 31st December 2009, 1,464,000 *(2008: 7,676,000)* ordinary shares of HK$0.025 each were issued at total amount of approximately HK$436,000 *(2008: approximately HK$2,284,000)* as a result of the exercise of share options of the Company.

29. RESERVES

Group

	Share premium HK$'000 *(Note (b)(i))*	Statutory reserves HK$'000 *(Note (b)(ii))*	Contributed surplus HK$'000 *(Note (b)(iii))*	Investment revaluation reserves HK$'000 *(Note (b)(iv))*	Share option reserves HK$'000 *(Note (b)(v))*	Translation reserves HK$'000 *(Note (b)(vi))*	Retained profits HK$'000	Total HK$'000
At 1st January 2008	4,246	20,190	234,621	3,585,077	16,998	176,370	118,273	4,155,775
Issue of shares under share option scheme *(Note (a))*	3,023	–	–	–	(931)	–	–	2,092
Equity-settled share-based payment	–	–	–	–	11,500	–	–	11,500
Change in fair value of available-for-sale financial assets	–	–	–	(3,069,998)	–	–	–	(3,069,998)
Exchange differences on translation of PRC subsidiaries	–	–	–	–	–	253,402	–	253,402
Loss for the year	–	–	–	–	–	–	(36,577)	(36,577)
At 31st December 2008 and at 1st January 2009	7,269	20,190	234,621	515,079	27,567	429,772	81,696	1,316,194
Issue of shares under share option scheme *(Note (a))*	498	–	–	–	(99)	–	–	399
Equity-settled share-based payment	–	–	–	–	3,283	–	–	3,283
Change in fair value of available-for-sale financial assets	–	–	–	1,275,063	–	–	–	1,275,063
Exchange differences on translation of PRC subsidiaries	–	–	–	–	–	4,630	–	4,630
Loss for the year	–	–	–	–	–	–	(24,118)	(24,118)
At 31st December 2009	**7,767**	**20,190**	**234,621**	**1,790,142**	**30,751**	**434,402**	**57,578**	**2,575,451**

29. RESERVES *(Continued)*

Company

	Share premium HK$'000 *(Note (b)(i))*	Contributed surplus HK$'000 *(Note (b)(iii))*	Share option reserves HK$'000 *(Note (b)(v))*	Retained profits HK$'000	Total HK$'000
At 1st January 2008	4,246	380,621	16,998	153,619	555,484
Issue of shares under share option scheme *(Note (a))*	3,023	–	(931)	–	2,092
Equity-settled share-based payment	–	–	11,500	–	11,500
Loss for the year	–	–	–	(14,941)	(14,941)
At 31st December 2008 and at 1st January 2009	7,269	380,621	27,567	138,678	554,135
Issue of shares under share option scheme *(Note (a))*	498	–	(99)	–	399
Equity-settled share-based payment	–	–	3,283	–	3,283
Loss for the year	–	–	–	(7,064)	(7,064)
At 31st December 2009	**7,767**	**380,621**	**30,751**	**131,614**	**550,753**

29. RESERVES *(Continued)*

Notes:

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

During the year ended 31st December 2009, options were exercised to subscribe for 1,464,000 *(2008: 7,676,000)* ordinary shares in the Company at a consideration of approximately HK$436,000 *(2008: approximately HK$2,284,000)* of which approximately HK$37,000 *(2008: approximately HK$192,000)* was credited to share capital and the balance of approximately HK$399,000 *(2008: approximately HK$2,092,000)* was credited to the share premium account. Approximately HK$99,000 *(2008: approximately HK$931,000)* has been transferred from the share option reserves to the share premium account in accordance with policy set out in note 2(t).

(b) *Nature and purpose of reserves*

(i) Share premium

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

(ii) Statutory reserves

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

No transfer of statutory reserves has been made for the year *(2008: HK$Nil)*.

(iii) Contributed surplus

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

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

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

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

29. RESERVES *(Continued)*

Notes: (Continued)

(b) Nature and purpose of reserves (Continued)

(iv) Investment revaluation reserves

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

(v) Share option reserves

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

(vi) Translation reserves

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

At 31st December 2009, the total contributed surplus and retained profits of approximately HK$512,235,000 *(2008: approximately HK$519,299,000)* is available for distribution to equity holders of the Company.

30. PLEDGE OF ASSETS

At 31st December 2009, the Group had pledged the following assets to secure the banking facilities:

(a) Investment properties of the Group with carrying value of HK$28,470,000 *(2008: HK$24,300,000)*;

(b) Prepaid lease payments and buildings of the Group with carrying values of approximately HK$7,817,000 *(2008: approximately HK$8,007,000)* and approximately HK$50,901,000 *(2008: approximately HK$52,741,000)*;

(c) The trade receivables from third parties of the Group with carrying value of approximately HK$7,208,000 *(2008: HK$Nil)*;

(d) A leasehold property of the Group with carrying value of approximately HK$2,931,000 *(2008: HK$Nil)*; and

(e) Bank deposit of the Group with carrying value of approximately HK$13,205,000 *(2008: HK$Nil).*

31. CONTINGENT LIABILITIES

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

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

The Group was also notified that Golden Yuxing, Foshan Zhixing and Shenzhen Sheng Bang had received summons and notices from Intermediate Court of Fo Shan regarding the scheduling of the trial date on 16th October 2009, and Mr. Zhu Wei Sha becoming one of the defendants of the Actions.

On 20th October 2009, the Group was notified by JI that the Intermediate Court of Fo Shan has issued a Notice of Enforcement to JI on 4th September 2009, ordering JI to assist in freezing Golden Yuxing's 36.66% equity interest in JI and suspending the payment of dividends attributable to Golden Yuxing in respect of its equity interest in JI for a period from 7th September 2009 to 6th September 2011. According to the legal opinion dated 19th March 2010 from the Group's PRC lawyers, Golden Yuxing was entitled to receive the dividends from JI but the suspension of the dividends payment is still in force. As a result of the above freezing order, the dividend receivable from JI amounting to approximately HK$8.7 million *(2008: HK$Nil)* was classified as non-current asset as at 31st December 2009.

On 9th March 2010, the Group has received summons from Intermediate Court of Fo Shan, which summoned Beijing Yuxing Software Co., Limited ("Yuxing Software") and Golden Yuxing to the court to respond to hearings.

As at 31st December 2009, certain cash and bank balances of the Group with carrying value of approximately HK$1.0 million *(2008: approximately HK$0.9 million)* were frozen by the Intermediate Court of Fo Shan.

As at the date of this report, no trial or judgement for the Actions has been received from the Intermediate Court of Fo Shan yet. The Board has sought legal advice from its PRC lawyers and is of the view that the Actions are based on unsubstantiated and invalid grounds. The Board does not believe the Actions will have any significant impact on the financial position of the Group and no provision is considered necessary.

31. CONTINGENT LIABILITIES *(Continued)*

(b) In 2007, JLB Group lodged a petition with the Higher People's Court of the Guangdong Province in the PRC ("Guangdong Higher Court") to institute a civil action against Golden Yuxing and SJHII, claiming, among other matters, that the Acquisition as detailed in note 21 was invalid.

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

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

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

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

As at the date of this report, no trial or judgement for the rehearing has been received from the Guangdong Higher Court. The Board has sought legal advice from its PRC lawyers and is still of the view that the claim submitted by JLB Group is based on invalid grounds. The Group has valid evidences which sufficiently ascertain their 36.66% ownership on the equity interest in JI. Therefore, the Board does not believe the claim will have any significant impact on the financial position of the Group and no provision is considered necessary.

(c) Subsequent to the balance sheet date, the Group has received a notice issued by the Court of San Shui dated 8th February 2010 that the lending dispute cases where the prosecutor Foshan Sanshui Zheng Tian Technology Investment Company Limited prosecuted against SJHII, Beijing Ling Si Information System Company Limited and Golden Yuxing, had been designated by Guangdong Higher Court to come under the jurisdiction of Intermediate Court of Fo Shan. As at the date of this report, the lending dispute cases are under hearing by the Intermediate Court of Fo Shan.

The Board has sought legal advice from its PRC lawyers in these respects and is of the view that the claim is based on invalid grounds. The Board believes the claim will not have significant impact on the financial position of the Group and no provision is considered necessary.

32. OPERATING LEASE COMMITMENTS

(a) The Group as lessee

At 31st December 2009, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Within one year	**3,121**	1,524
In the second to fifth year inclusive	**3,212**	330
	6,333	1,854

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

(b) The Group as lessor

The properties are expected to generate rental yields of 4.2% *(2008: 5.1%)* on an ongoing basis. All of the properties held have committed tenants for the next 3 years.

At 31st December 2009, the Group had contracted with tenants for the following future minimum lease payments:

	Group	
	2009	2008
	HK$'000	HK$'000
Within one year	**1,939**	1,464
In the second to fifth year inclusive	**1,407**	2,196
Later than fifth year	**68**	–
	3,414	3,660

33. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme"), which was adopted pursuant to the ordinary resolutions passed by the shareholders of the Company on 18th May 2003 for the purpose of providing incentives to certain eligible participants and unless otherwise cancelled or amended, will expire on 17th May 2013. Under the Scheme, the Directors may grant share options to eligible employees, including executive Directors, or any persons or entities who have contributed or will contribute to the growth and development of the Group, to subscribe for shares in the Company.

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

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

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

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

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

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

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

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

The total number of shares in respect of which share options may be granted under the Scheme and any other schemes is not permitted to exceed 10% of the shares of the Company in issue at the date of shareholders' approval of the Scheme (the "Scheme Mandate Limit") or, if such 10% limit is refreshed, at the date of shareholders' approval of the renewal of the Scheme Mandate Limit. The maximum aggregate number of shares which may be issued upon the exercise of outstanding options granted and yet to be exercised under the Scheme and any other share option schemes must not exceed 30% of the total number of shares of the Company in issue from time to time. At the annual general meeting which was held on 26th June 2008, the Scheme Mandate Limit was refreshed and approved by the shareholders, so that the maximum number of shares which fall to be issued upon exercise of all options that may be granted by the Company would be 162,794,000 shares, representing 10% of the shares in issue as at the date of approval of the refreshment of the Scheme Mandate Limit at the annual general meeting. The number of shares in respect of which options may be granted to any Eligible Participant in any one year is not permitted to exceed 1% of the shares of the Company then in issue, without prior approval from the Company's shareholders. Each grant of share options to any Director, chief executive or substantial shareholder must be approved by Independent Non-executive Directors. Where any grant of share options to a substantial shareholder or an Independent Non-executive Director or any of their respective associates would result in the shares of the Company issued and to be issued upon exercise of options already granted and to be granted in excess of 0.1% of the Company's issued share capital and with a value in excess of HK$5,000,000 in the 12 months period up to the date of grant, then the grant must be approved in advance by the Company's shareholders.

33. SHARE OPTION SCHEME *(Continued)*

An offer of the share options shall be deemed to have been accepted by way of payment of a consideration of HK$1.00 by the Eligible Participants per each share option within 21 days from the date of offer of the share options. A share option may be exercised in accordance with the terms of the Scheme at any time during the effective period of the Scheme to be notified by the Directors which shall not be later than 10 years from the date of grant. There is no general requirement regarding any minimum period of time a grantee must hold a share option granted to him before exercising such share option. However, the Directors may determine from time to time to impose such a requirement of such a minimum period provided that the date at the end of such minimum period of time must be earlier than (a) the date on which such share option lapses; and (b) 10 years from the date of grant of that share option. The exercise price is determined by the Directors, and will not be less than the highest of the closing price of the Company's shares on the date of grant, the average closing price of the Company's shares for the five business days immediately preceding the date of grant and the nominal value of the shares of the Company.

At 31st December 2009, the total number of shares in respect of which share options had been granted and remained outstanding under the Scheme was 123,208,000 *(2008: 125,384,000)* representing 7.6% *(2008: 7.7%)* of the shares of the Company in issue at that date.

(a) Movements in share options:

	Number of options	
	2009	2008
At 1st January	**125,384,000**	136,732,000
Exercised during the year	**(1,464,000)**	(7,676,000)
Cancelled/lapsed during the year	**(712,000)**	(3,672,000)
At 31st December	**123,208,000**	125,384,000
Options vested at 31st December	**123,208,000**	125,384,000

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

Date of grant	**Exercise period**	**Exercise price** HK$	**Number of options** **2009**	2008
26th December 2006	26th December 2006 – 17th May 2013	0.2975	**68,008,000**	70,184,000
4th September 2007	4th September 2007 – 17th May 2013	1.265	**55,200,000**	55,200,000
			123,208,000	125,384,000

33. SHARE OPTION SCHEME *(Continued)*

(c) Details of the movement of share options granted during the years ended 31st December 2009 and 2008 to subscribe for the shares in the Company are as follows:

For the year ended 31st December 2009

	Date of grant	Exercisable period	Exercise price HK$	At 1st January 2009	Exercised during the year	Granted during the year	Cancelled/ lapsed during the year	At 31st December 2009
Directors								
– Mr. Wang An Zhong	26th December 2006	26th December 2006 – 17th May 2013	0.2975	1,600,000	–	–	–	1,600,000
– Mr. Shi Guang Rong	26th December 2006	26th December 2006 – 17th May 2013	0.2975	600,000	–	–	–	600,000
– Mr. Wu Jia Jun	26th December 2006	26th December 2006 – 17th May 2013	0.2975	960,000	–	–	–	960,000
– Mr. Zhong Peng Rong	26th December 2006	26th December 2006 – 17th May 2013	0.2975	1,600,000	–	–	–	1,600,000
– Ms. Shen Yan	26th December 2006	26th December 2006 – 17th May 2013	0.2975	960,000	–	–	–	960,000
Continuous contract employees	26th December 2006	26th December 2006 – 17th May 2013	0.2975	64,464,000	(1,464,000)	–	(712,000)	62,288,000
	4th September 2007	4th September 2007 – 17th May 2013	1.265	55,200,000	–	–	–	55,200,000
				125,384,000	(1,464,000)	–	(712,000)	123,208,000
Exercisable at 31st December 2009								123,208,000
Weighted average exercise price (HK$)				0.7234	0.2975	–	0.2975	0.7310

33. SHARE OPTION SCHEME *(Continued)*

(c) *(Continued)*

For the year ended 31st December 2008

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

33. SHARE OPTION SCHEME *(Continued)*

(d) The cost of the options granted on 26th December 2006 and 4th September 2007 for the year ended 31st December 2009 were approximately HK$Nil *(2008: approximately HK$1,352,000)* and approximately HK$3,283,000 *(2008: approximately HK$10,148,000)* respectively. The cost of share options granted is estimated on the date of the grant using the Black-Scholes Option Model with the following parameters:

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

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

34. RETIREMENT BENEFITS SCHEME

The Group operates the MPF for all qualifying employees in Hong Kong. The assets of the MPF are held separately from those of the Group in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the MPF, which contribution is matched by employees.

The employees of the Group's subsidiaries in the PRC are members of the state-managed retirement benefits scheme operated by the government of the PRC. The subsidiaries are required to contribute certain percentage of their payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

The total cost charged to income statement of approximately HK$3,146,000 *(2008: approximately HK$5,091,000)* represents contributions paid and payable to these schemes by the Group in respect of the current year.

35. RELATED PARTY TRANSACTIONS

Key management compensation

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

	2009 **HK$'000**	2008 HK$'000
Salaries and other allowances	**2,813**	2,808
Retirement scheme contributions	**73**	84
Share option benefit	**–**	350
	2,886	3,242

36. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st December 2009 are as follows:

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

36. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ kind of legal entity	Principal activities/ place of operation	Particulars of issued share capital/ registered capital	Interest held
Foshan Zhixing	The PRC/foreign wholly owned enterprise	Research and development of broadband communication/the PRC	RMB53,512,424	100%
Golden Yuxing	The PRC/sino-foreign co-operative joint venture	Research and development, design, marketing, distribution and sales of information appliances/ the PRC	US$4,582,000	100%
Shenzhen Sheng Bang	The PRC/foreign wholly owned enterprise	Manufacturing, distribution and sales of information home appliances and electronic components/ the PRC	RMB74,400,000	100%
Sheng Bang Qiang Dian Electronics (Zhongshan) Co., Ltd	The PRC/foreign wholly owned enterprise	Manufacturing, distribution and sales of information home appliances and electronic components/ the PRC	RMB122,957,636	100%
Yield Lasting Investments Ltd.	BVI/limited liability company	Property holding/HK	1 ordinary share of US$1	100%
Yuxing Technology Company Limited	Hong Kong/limited liability company	Trading and distribution of electronic components and investment holding/HK	2 ordinary shares of HK$1 each	100%

The above table contains only the particulars of subsidiaries of the Group which principally affected the results, assets or liabilities of the Group. To give details of other subsidiaries would result in particulars of excessive length.

None of the subsidiaries had any debt securities at the end of the year or at any time during the year.