Yuxing InfoTech Investment Holdings Limited
裕興科技投資控股有限公司*

(Incorporated in Bermuda with limited liability)
Stock Code: 8005

Annual Report 2014

* for identification purposes only

Yuxing InfoTech Investment Holdings Limited

Annual Report 2014

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

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

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

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

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Corporate Profile

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

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

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

Wu Jia Jun
Zhong Peng Rong
Shen Yan

COMPANY SECRETARY

Liu Wei, Solicitor

QUALIFIED ACCOUNTANT

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

COMPLIANCE OFFICER

Shi Guang Rong

AUTHORISED REPRESENTATIVES

Chen Fu Rong
Shi Guang Rong

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Shen Yan *(Chairman)*
Wang An Zhong
Wu Jia Jun
Zhong Peng Rong
Zhu Jiang

NOMINATION COMMITTEE

Zhu Wei Sha *(Chairman)*
Chen Fu Rong
Shen Yan
Zhong Peng Rong
Wu Jia Jun

AUDITOR

Mazars CPA Limited
Certified Public Accountants

PRINCIPAL BANKERS

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11, Bermuda

PLACES OF BUSINESS

Hong Kong
Units 2107-8
21/F, Exchange Tower
33 Wang Chiu Road
Kowloon

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

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

SHARE REGISTRARS AND TRANSFER OFFICES

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

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

STOCK CODE

8005

WEBSITE ADDRESS

www.yuxing.com.cn

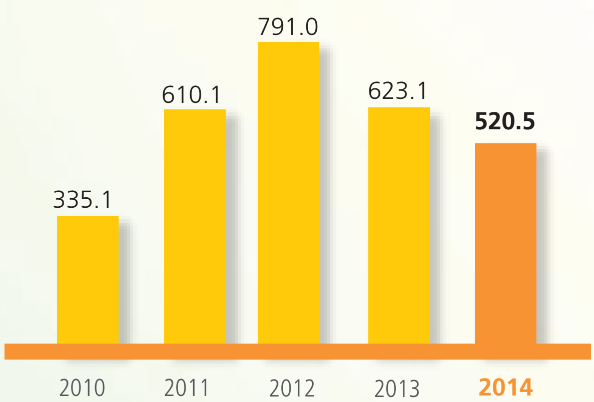
Financial Highlights and Calendar

FINANCIAL HIGHLIGHTS

	2014 HK$'000	2013 HK$'000
Revenue		
Turnover	**520,541**	623,136
Profitability		
Profit from operations	**60,792**	2,349,981
Profit attributable to owners of the parent	**31,012**	2,167,412
Net worth		
Total equity attributable to owners of the parent	**2,315,908**	2,144,959
	HK$	HK$
Per share		
Earnings per share – Basic	**0.02**	1.22
Net assets attributable to owners of the parent per share	**1.29**	1.20

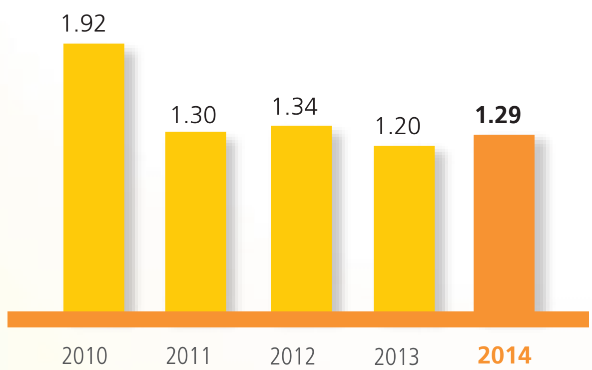
TURNOVER

HK$ million



NET ASSETS ATTRIBUTABLE TO OWNERS OF THE PARENT PER SHARE

HK$



FINANCIAL CALENDAR

Results for the year	Announcement on 20th March 2015
Annual report	Despatched to shareholders in late March 2015
Annual general meeting	15th May 2015

Chairman's Statement

Zhu Wei Sha
Chairman

Chairman's Statement

Happy New Year!

As 2015 comes, it is time to bid farewell to the old year and usher in the new again. Here, I'd like to take this opportunity to wish all people of the Group and their relatives, as well as friends from all walks of life a happy new year that would come in full form and see your dreams come true.

How time flies and it has been 15 years since our listing.

I wish that the world would remain the same and we would never grow older. A new year marks a new beginning and let's celebrate and forget that we have grown "seven years" older. However, a wish is just a wish. It is something that would never happen, as we live in the age of Internet and it is said that life in the Internet moves on as fast as that of dogs, where one human year equals seven dog years. Every year we now live is equal to seven years we lived in the past. Can you imagine how valuable it is and how hard it is!

Looking back into 2014, I was most impressed by the increasingly fast changes, new thoughts, knowledge and modes that have flooded into the sight. The hottest buzzwords are Internet-related ones, such as "user-oriented thinking; extreme thinking; fast; and the saying that wool comes not from sheep but pigs (羊毛出在豬身上)", etc. New words are driving me crazy and I could not figure out what we did wrong in the past. Didn't we emphasize user-oriented thinking in the past? Aren't there so many companies sharing the motto of "to satisfy the users"; didn't we pursue excellence for our products in the past? Obviously not; didn't we strive to go faster? Wasn't it a common mode of thinking for a company to seek a first move advantage in the past? In an age full of violent changes, there are so many specious things and it is better to calm down, see through these things and figure out what remain unchanged and what have changed and are subject to change.

Only by thinking independently, not blindly following the crowd and not being easily affected by the environment can we shape up a foresight for the future development. In 2015, we will continue to create values for the shareholders of the Company ("the Shareholders"), fulfill responsibilities owed to employees and work hard for the safety of the enterprise!

Zhu Wei Sha
Chairman

Hong Kong, 20th March 2015

Group Financial Summary

CONSOLIDATED RESULTS

For the year ended 31st December

	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000
Turnover	**520,541**	623,136	790,983	610,144	335,099
Profit/(Loss) before taxation	**52,742**	2,339,240	(496,621)	35,352	14,999
Taxation	**(22,050)**	(174,276)	(3,543)	(1,368)	(190)
Profit/(Loss) for the year	**30,692**	2,164,964	(500,164)	33,984	14,809
Non-controlling interests	**320**	2,448	210	–	–
Profit/(Loss) attributable to owners of the parent	**31,012**	2,167,412	(499,954)	33,984	14,809

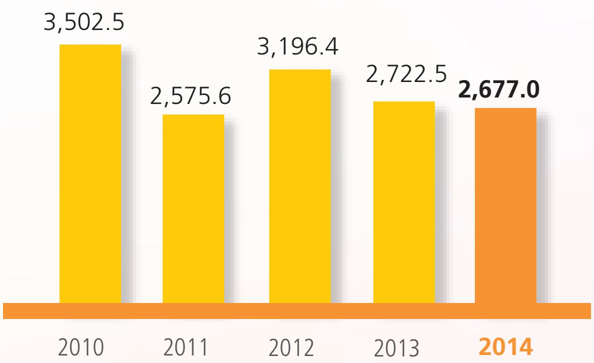
CONSOLIDATED ASSETS AND LIABILITIES

As at 31st December

	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000
Total assets	**2,677,017**	2,722,508	3,196,402	2,575,574	3,502,533
Total liabilities	**(350,323)**	(566,443)	(838,445)	(313,900)	(177,029)
Non-controlling interests	**(10,786)**	(11,106)	(12,441)	–	–
Total equity attributable to owners of the parent	**2,315,908**	2,144,959	2,345,516	2,261,674	3,325,504

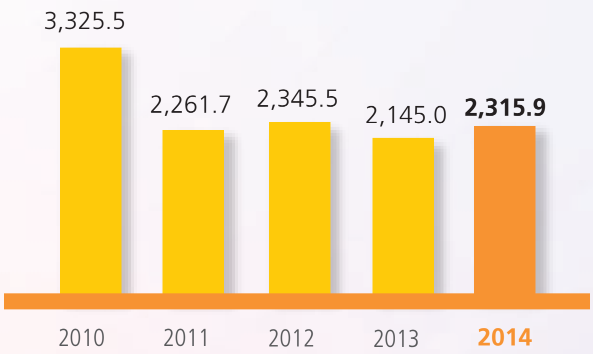
TOTAL ASSETS

HK$ million



TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT

HK$ million



Management Discussion and Analysis

FINANCIAL REVIEW

Turnover and Gross Profit

During the year under review, the Group's overall turnover and gross profit amounted to approximately HK$520.5 million and HK$65.2 million respectively for the year ended 31st December 2014 (the "Year"), representing a decrease of 16.5% and an increase of 0.9% respectively as compared with last year. This decrease in overall turnover of the Group was mainly attributable to the weakened order procurement sentiment of the People's Republic of China (other than Hong Kong, Taiwan and Macau) (the "PRC") and Hong Kong customers, and more intense competition in 2014, which have contributed to a softened demand for the Group's products for the Year. As a result, the Group's turnover under IHA segment derived from the PRC and Hong Kong markets for the Year decreased by 24.2% and 42.7% to approximately HK$312.0 million and HK$49.1 million respectively as compared with last year, although the turnover of the Group's overseas markets for the Year increased significantly by 26.8% to approximately HK$158.9 million as compared with last year.

Operating Results

Other Revenue and Net Income

Other revenue and net income of the Group increased significantly to approximately HK$370.2 million for the Year (2013: approximately HK$29.9 million). This increase for the Year was mainly attributable to the following reasons: (1) the realised and unrealised gains on financial assets at fair value through profit or loss of totaling approximately HK$198.3 million for the Year (2013: approximately HK$6.3 million); (2) the realised gains on available-for-sale financial assets of approximately HK$136.6 million for the Year (2013: HK$Nil); and (3) dividend income from the Group's investment in A shares of Ping An Insurance (Group) Company of China, Ltd. ("Ping An Shares") of approximately HK$19.7 million (2013: HK$Nil). However, the Group recognised the dividend income from its indirect investment in 51 million Ping An Shares through its 36.66% equity interest in Gongbujiangda Jiangnan Industrial Development Company Limited ("JI") in the share of results of a joint venture of approximately HK$26.0 million for the year ended 31st December 2013 and the Group had ceased to recognise JI as a joint venture immediately upon the completion of the disposal of one of its wholly-owned subsidiaries of Beijing Golden Yuxing Electronics and Technology Company Limited ("Golden Yuxing") on 31st December 2013.

Change in Fair Value of Investment Properties

The Group recognised a revaluation gain of approximately HK$0.4 million on its investment properties for the Year (2013: approximately HK$3.1 million).

Operating Expenses

With the decrease of the Group's overall turnover in 2014, the Group's overall selling expenses decreased by 15.4% to approximately HK$14.1 million for the Year as compared with last year. At the same time, the Group's general and administrative expenses for the Year also significantly decreased by 46.7% to approximately HK$80.7 million as compared with last year. This decrease in the Group's general and administrative expenses during the year under review was mainly due to no distribution of a discretionary bonus to the Directors and the Group's staff for the Year (2013: approximately HK$64.1 million upon the Group recognised a significant gain from the disposal of the entire equity interest of Golden Yuxing).

FINANCIAL REVIEW *(Continued)*

Operating Results *(Continued)*

Other Operating Expenses

Other operating expenses increased to approximately HK$19.0 million for the Year (2013: approximately HK$5.5 million). The main reason for this increase was that the Group recorded exchange losses and management and custody fee for investing in the PRC securities market through Renminbi Qualified Foreign Institutional Investors ("RQFII") of approximately HK$6.3 million and HK$10.1 million respectively for the Year (2013: HK$Nil and HK$Nil respectively).

Change in fair value of derivative financial instruments in connection with the Repurchase(s)

During the year under review, the Group recorded a loss in fair value adjustments to derivative financial instruments of approximately HK$261.2 million for the Year (2013: HK$Nil), which was related to the call options and put options in connection with the Group's repurchase of no more than 41 million but no less than 27 million Ping An Shares at the repurchase price of RMB37.29 per share from JI during 90 days after the final payment date of the disposal agreement (the "Repurchase(s)"). The fair value of the derivative financial instruments in connection with the Repurchase(s) were re-measured by an independent professional valuer at each repurchase date during the repurchase period up to 2nd April 2014. For further details, the Directors request the shareholders and investors of the Company to refer to the note 25(c) to the consolidated financial statements in relation to the fair value adjustments of such call options and put options and the circular dated 31st October 2013 (the "Circular").

Finance Costs

As there was no amortised interest expenses recorded for the Year in respect of the settlement fee payable to the Guangdong Jianlibao Group Company Limited ("JLB Group") or its designated entities, the finance costs of the Group decreased significantly to approximately HK$8.1 million for the Year (2013: approximately HK$36.7 million).

Profit for the Year

Due to the above-mentioned reasons, the Group recorded a profit attributable to owners of the parent of approximately HK$31.0 million for the Year (2013: approximately HK$2,167.4 million which was mainly attributable to a gain on the disposal of a subsidiary). This profit was mainly attributable to the substantial increase in other revenue and net income of the Group during the year under review.

Management Discussion and Analysis

FINANCIAL REVIEW *(Continued)*

Liquidity and Financial Resources

As at 31st December 2014, the Group had net current assets of approximately HK$1,681.4 million. The Group had cash and bank balances of approximately HK$349.2 million. The Group's financial resources were funded mainly by short-term bank loans and mortgage loans totaling approximately HK$181.8 million and its Shareholders' funds. As at 31st December 2014, the Group's current ratio, as calculated by dividing current assets by current liabilities, was 6.0 time and the gearing ratio, as measured by total liabilities divided by total equity, was 15.1%. Hence, as at 31st December 2014, the overall financial and liquidity positions of the Group remained at a stable and healthy level.

Charges on Group Assets

Details of charges on the Group assets are set out in note 30 to the consolidated financial statements in this report.

Capital Structure

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

Significant Investments/Material Acquisitions and Disposals

Apart from the Repurchase(s), during the year under review, the Group disposed of totalling approximately 8.0 million Ping An Shares in a series of transactions on the market for aggregate gross sale proceeds of approximately RMB405.5 million (equivalent to approximately HK$506.9 million) (including transaction costs). The disposed Ping An Shares were part of 13 million Ping An Shares held by the Group which was classified as available-for-sale financial assets under non-current assets. The above disposals are detailed in the Company's announcements dated 28th November 2014 and 1st December 2014.

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

Segment Information

The Group's star business segment is IHA. The total turnover of the IHA segment for the Year decreased by 16.5% to approximately HK$520.0 million as compared with last year. Due to the weakened order procurement sentiment of a PRC customer in 2014, the overall sales of the IHA segment in the PRC for the Year decreased by 24.2% to approximately HK$312.0 million as compared with last year. In the Hong Kong market, due to the significant reduction in sales orders from a Hong Kong customer during the year under review, resulting in the Group's turnover in Hong Kong market to decrease significantly by 42.7% to approximately HK$49.1 million for the Year as compared with last year. For the overseas markets, although the reduction in sales orders from a few overseas customers during the year under review, sales in Australia for the Year significantly increased by 77.4% to approximately HK$120.2 million as compared with last year. Consequently, overall overseas turnover increased significantly by 26.8% to approximately HK$158.9 million for the Year as compared with last year. As such, the Group recorded a significant improvement in the results of the IHA segment for the Year with a profit of approximately HK$3.1 million as compared with last year (2013: a loss of approximately HK$6.2 million).

FINANCIAL REVIEW *(Continued)*

Segment Information *(Continued)*

The Group's investing segment is principally engaged in investing in trading securities and available-for-sale financial assets. This segment recorded a profit of approximately HK$67.5 million for the Year (2013: approximately HK$2,457.8 million) after deducting the change in fair value of derivative financial instruments in connection with the Repurchase(s) of approximately HK$261.2 million. The main reason for this profit was that the Group recorded the realised and unrealised gains on financial assets at fair value through profit or loss and available-for-sale financial assets of approximately HK$198.3 million (2013: approximately HK$6.3 million) and HK$136.6 million (2013: HK$Nil) respectively for the Year, amongst realised gains of approximately HK$218.9 million (2013: HK$Nil) from the disposal of Ping An Shares.

In respect of the Group's trading segment, because of the lack of new breakthrough in recent years, the Group recorded a loss of approximately HK$0.1 million for this segment for the Year (2013: approximately HK$0.5 million). The other operations segment of the Group mainly comprises leasing out of properties. This segment recorded a profit of approximately HK$0.8 million from the leasing out of properties for the Year (2013: approximately HK$6.8 million), amongst fair value gain from investment properties of approximately HK$0.4 million (2013: approximately HK$3.1 million).

Geographical markets of the Group were mainly located in the PRC during the year under review. The turnover for the Year generated from the PRC market decreased by 24.2% to approximately HK$312.5 million as compared with last year. As to overseas markets, despite the reduction in sales orders from a few overseas customers during the year under review, sales in Australia for the Year significantly increased by 77.4% to approximately HK$120.2 million as compared with last year. Consequently, overall overseas turnover increased significantly by 26.8% to approximately HK$158.9 million for the Year as compared with last year. While the turnover generated from Hong Kong market significantly decreased by 42.7% to approximately HK$49.1 million for the Year as compared with last year. As such, the overall turnover of the Group decreased by 16.5% to approximately HK$520.5 million for the Year as compared with last year.

Exposure to Fluctuations in Exchange Rates

Most of the trading transactions of the Group were denominated in Renminbi ("RMB") and in United States dollars. The assets of the Group were mainly denominated in RMB and the remaining portions were denominated in Hong Kong dollars. The official exchange rates for United States dollars, Hong Kong dollars and RMB have been relatively stable for the Year and no hedging or other alternative measure has been implemented by the Group. As at 31st December 2014, the Group had no significant exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

Human Resources

As at 31st December 2014, the Group had over 600 (2013: over 760) full time employees, of which 12 (2013: 11) were based in Hong Kong and the rest were in the PRC. Staff costs of the Group amounted to approximately HK$72.8 million for the Year (2013: approximately HK$145.1 million). Decrease in staff costs was mainly due to no distribution of a discretionary bonus to the Directors and the staff of the Group for the 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, share option schemes and share award scheme.

Management Discussion and Analysis

DIVIDENDS

The Board recommends the payment of a final dividend of HK$0.05 per share for the year ended 31st December 2014 (2013: an interim dividend of HK$0.05 per share and a final dividend of HK$0.05 per share totaling approximately HK$89.6 million and HK$89.6 million respectively were declared and distributed). Subject to the approval of the Shareholders at the forthcoming annual general meeting (the "AGM") on 15th May 2015, the proposed final dividend will be distributed on or about 12th June 2015 to the shareholders whose names appear on the register of members of the Company as at the close of business on 27th May 2015.

CLOSURE OF REGISTER OF MEMBERS

(a) Entitlement to Attend and Vote at the AGM

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

For entitlement to attend and vote at the AGM:	13th May 2015 – 15th May 2015, both dates inclusive (record date being 15th May 2015)

In order to qualify for entitlement to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's registrar Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 12th May 2015.

(b) Entitlement to the Proposed Final Dividend

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

For entitlement to the proposed final dividend:	21st May 2015 – 27th May 2015, both dates inclusive (record date being 27th May 2015)

In order to qualify for entitlement to the proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's registrar Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 20th May 2015.

Management Discussion and Analysis

BUSINESS REVIEW

After twelve years of development and under the steady growth of the global Internet Protocol Television ("IPTV") market, the Group's IPTV set-top boxes ("STB") business has entered into a period of steady growth. However, under the intense market competition condition, the Group is facing many opportunities as well as confronting severe challenges. With the accumulation of technological expertise over the years and own intermediary software platform, the Group could meet needs of different customers, finish the work of integrating with termination systems and customizing end products. Products launched by the Group in the markets include standard-definition STB, high digital STB, dual mode STB, Over-the-Top TV ("OTT")/IPTV STB, as well as STB equipped with an Android system, etc. In 2014, due to the weakened order procurement sentiment of a PRC customer and a Hong Kong customer and fierce market competition, there was a significant decrease of turnover of the Group in the PRC, Hong Kong and a few overseas markets. As such, during the year under review, the Group's overall turnover decreased by 16.5% to approximately HK$520.5 million, while the overall gross profit increased by 0.9% to approximately HK$65.2 million for the Year as compared with 2013.

In the PRC market, the Group had successfully launched, through cooperation with one of the largest PRC telecommunications equipment and system providers, various types of STB into areas including, Guangdong Province, Hubei Province, Sichuan Province, Shanxi Province, Liaoning Province, Anhui Province, Jilin Province, Jiangsu Province and Tianjin Municipalities, etc. Some operators cooperating with the Group started planning to deploy smart STB in large scale and the Group had deployed smart STB equipped with an Android system in many provinces across the PRC. However, due to the weakened order procurement sentiment of this PRC customer in 2014 and the further market competition, this led to a decrease in both the sales quantity and selling price of STB in the PRC as compared with last year. Therefore, the turnover of the Group in the PRC market for the Year decreased by 24.2% to approximately HK$312.5 million as compared with last year.

In overseas market, the Group's products provided quality new entertainment experience to the end users not only in the IPTV sector, but also in the music and video sector. Meanwhile, the Group keeps on maintaining good cooperation relationships with various existing telecommunications operators and system integration suppliers. The Group has managed to forward continuous shipments of its products to customers in Australia, Spain, Brazil, Romania and Czechoslovakia, etc. At the same time, the Group was actively exploring new markets in Africa, the United Kingdom, Germany and Denmark, etc. Although there was a reduction in sales orders from a few overseas customers during the year under review, sales in Australia for the Year increased significantly by 77.4% to approximately HK$120.2 million as compared with last year. Consequently, overall overseas turnover for the Year increased significantly by 26.8% to approximately HK$158.9 million as compared with last year.

Management Discussion and Analysis

BUSINESS REVIEW *(Continued)*

As one of the leading suppliers of IPTV STB in Hong Kong, the Group still maintained great cooperation relationship with a Hong Kong telecommunications operator in its marketing activities. However, due to the significant reduction in sales orders from this Hong Kong customer in 2014, it resulted in a significant decrease in the Group's turnover in Hong Kong market by 42.7% to approximately HK$49.1 million as compared with last year.

As for investment business, based on the principles of scientific analysis and prudent determination, the Group mainly focused on some software, hardware companies and Internet companies which master the core and leading technology in the convergence of television, telecom and Internet fields. Meanwhile, the Group also focused on some companies in the field of commercial STB and Online to Offline ("O2O") Electronic Commerce and deployed investment in preparation and integration of the industry ecosystem. During the year under review, the Group conducted some useful attempts in the secondary market investment. Based on value investment, the Group selected the investment with lower risk in the secondary market by taking risk control and reasonable earning expectation as its investment strategy, maintenance and appreciation of asset value are the long-term investment commitment of the Group. As such, the Group recorded the realised and unrealised gains on financial assets at fair value through profit or loss and available-for-sale financial assets of approximately HK$198.3 million (2013: approximately HK$6.3 million) and HK$136.6 million (2013: HK$Nil) respectively for the Year, amongst realised gains of approximately HK$218.9 million (2013: HK$Nil) from the disposal of Ping An Shares.

References are made to the announcements of the Company dated 30th January 2013, 4th February 2013, 18th March 2013, 27th March 2013, 27th September 2013, 11th October 2013, 23rd October 2013, 28th October 2013, 15th November 2013, 2nd January 2014, 2nd April 2014 and 27th October 2014 and the circular dated 28th February 2013 and the Circular in relation to, inter alia, the Settlement Agreement, the Final Settlement Agreement, the Guarantee, the Agreement, the Proposed Disposal, the Proposed Repurchase(s) and the Major Transaction in relation to the New Disposal Mandate (as such capitalised terms are defined in the Circular). On 2nd January 2014, being the final payment date of the Agreement, 華浩信聯（北京）投資有限公司 (Hua Hao Xin Lian (Beijing) Investment Co., Ltd.*), had fully paid the total consideration in accordance with the terms of the Agreement. The repurchase period commenced on 2nd January 2014 and ended on 2nd April 2014. On 2nd April 2014, the Group had repurchased 41 million Ping An Shares from JI at the price of RMB37.29 per share pursuant to the Agreement and completed the Repurchase(s) in accordance with the requirements under the Agreement during the repurchase period. On 24th October 2014, the Company was informed by JLB Group that Golden Yuxing had made its final payment of RMB150 million (equivalent to approximately HK$190.1 million) as the remaining Settlement Fee under the Final Settlement Agreement, therefore the Settlement Fee had been fully paid and the Company's obligation under the Guarantee had ceased. Further, on 30th October 2014, the pledge of 6 million Ping An Shares provided by JI in favour of the Company had also been released in accordance with the terms of the Agreement.

Management Discussion and Analysis

BUSINESS PROSPECT

The global IPTV market reaches a mature stage. Being one of the initial companies developing in broadband STB in the world, the Group, with efforts in over ten years and based on its accumulation of technological expertise over the years and its own research and development ("R&D") capability, will continue changing the traditional model by working hard on exploring the linkage of Internet and television. Meanwhile, in order to acquire more sophisticated competitive advantages to improve innovation capabilities and to meet the different needs of customers, the Group will put a high proportion of investment in R&D, the Group has to keep continuing upgrading its products and also actively develops new products to adopt to new market opportunities. The Group expects to achieve a better performance in the near future.

Regarding the investment business, the Group will continue focusing on the convergence of television, telecommunications and Internet fields. These fields are emerging the opportunities of huge convergence and great development. It is believed that the existing and the accumulated experiences of the IHA of the Group will help to efficiently complete the value evaluation, the resources integration and the value upgrade of the invested companies. Meanwhile, the Group will also focus on home living Internet field and security cloud field based on the development of the convergence of computer, communication and consumer electrics, intelligent Internet and security technology. On the other hand, the Group's secondary market investment strategy will continue, based on the value investment, selecting investment products with lower risk to control risk and maintain reasonable earning expectation. Maintenance and appreciation of asset value are still the long-term investment commitments of the Group.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Zhu Wei Sha, aged 59, is a co-founder of the Group. He has been the chairman of the Board and the president of the Group since 1996. He graduated from the Department of Automatic Control of Beijing University of Technology with a bachelor's degree in engineering. He had worked at Beijing Machinery Electronic Research Institute and the Industrial Economic Research Department of China Social Science Institute and as the legal representative and general manager of the Beijing Shanchuan Jinji Technology Company. Mr. Zhu has extensive experience and insights in corporate management and operation as well as solid technical background. He also has an in-depth understanding of the growth of a corporation by combining the concepts of capital investment and business operation. He has accumulated years of successful experience in this regard. Mr. Zhu is currently a director and a shareholder of Super Dragon Company Limited ("Super Dragon") which has a 36.83% interest in the share capital of the Company.

Mr. Chen Fu Rong, aged 54, is a co-founder of the Group. He has been a vice president of the Group since 1996 and the deputy chairman of the Group since 2004. He graduated from the Department of Automatic Control of Beijing University of Technology with a bachelor's degree in engineering. He worked at the Industrial Economic Research Department of the China Social Science Institute and Beijing Machinery Electronics Company and has extensive experience in computer hardware design and management of R&D activities. Mr. Chen possesses over 20 years' experience in R&D and engineering management. Mr. Chen is currently the executive president of Shenzhen Sheng Bang and is deputy chairman of the Board. Mr. Chen is also a director and a shareholder of Super Dragon.

Mr. Wang An Zhong, aged 58, is a vice president of the Group. He graduated with a master's degree in engineering from the Department of Computer Science of Beijing University of Technology. He was an associate professor and has extensive experience in lecturing and scientific research. He has managed and was involved in a number of the State's research projects and won several awards. Mr. Wang joined the Group in 1997 as the general manager of R&D department. He is currently the executive president in platform management department of the Company and the legal representative of Beijing E'rich Investment Management Co., Ltd, one of the wholly-owned subsidiaries of the Company.

Mr. Shi Guang Rong, aged 54, graduated with a bachelor's degree in engineering from the Department of Automatic Control of the Beijing University of Technology. He has been a vice president of the Group since 1996 and was responsible for marketing and public relation matters of the Group for many years. Mr. Shi is currently the executive president of the listing platform of the Group and possesses over 10 years' relevant work experience. Mr. Shi is also the chief executive officer of Yuxing Technology Company Limited, a wholly-owned subsidiary of the Company in Hong Kong.

Mr. Zhu Jiang, aged 58, has been an executive director of the Company since 2013. He graduated from the Department of Wireless Communication of Beijing University of Technology. He has over 20 years of research experience in computer engineering, and has extensive experience in digital-to-analog circuits and high-level assembly languages programming as well as over 10 years of management experience. Mr. Zhu is the executive president in risk control department of the Company. He is also a director and legal representative of certain wholly-owned subsidiaries of the Company.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wu Jia Jun, aged 83, is currently an honorary academy member and researcher of China Social Science Academy as well as a tutor of doctoral students. He is also a honorary president of the China Industrial Economic Association. He served as the vice general manager of Chinese Industrial and Economic Research Institute from 1980 to 1993, and the vice president of the Young Entrepreneurs Association of China. Mr. Wu has extensive experience in conducting research in the economy and industries of the PRC and also in corporate management. He is a renowned scholar in Japanese corporate and industrial management of which he has in-depth knowledge. He has published several books and articles on corporate management and economic reform. Mr. Wu was appointed as an Independent Non-Executive Director in October 1999.

Mr. Zhong Peng Rong, aged 62, is a renowned Chinese economist. He worked with the central government of the PRC for many years as a chief researcher. He now serves as a professor of several famous universities and as an adviser to over 21 enterprises and local governments of the PRC. As the chairman and research fellow of Beijing Shiye Consultancy Centre, he has formulated development strategies for enterprises in different industries and for local governments. He has an in-depth understanding of the macroeconomic environment and government administration in the PRC. Mr. Zhong was appointed as an Independent Non-Executive Director in October 1999.

Ms. Shen Yan, aged 51, holds a bachelor's degree in Accounting and has over 20 years of experience in accounting and 16 years of experience in auditing. She is currently a tutor of Beijing University of Technology. Ms. Shen successively held important posts in a number of enterprises in the PRC and is well experienced in financial accounting, budget control and financial management. During that period, she took part in the research on the relevant financial management projects and has compiled and published a number of books on professional management. Before then, she worked in Beijing Zhong Gong Xin Certified Public Accountants (北京中公信會計師事務所), where she presided over audit works for the PRC and international renowned enterprises operating in various fields such as manufacturing, professional affairs and services, and has accumulated experiences in relation to corporate finance management and audit works. In April 2008, Ms. Shen was appointed as the chief accountant of the Beijing University of Technology Investment Company (北京工業大學投資公司). Ms. Shen was appointed as an Independent Non-Executive Director in January 2005.

COMPANY SECRETARY

Mr. Liu Wei, aged 57, is qualified as a solicitor in the PRC, Hong Kong and England. He has extensive exposure in corporate finance and is a partner of DLA Piper Hong Kong. Mr. Liu graduated from Northwest University of China, Chinese University of Political Science and Law, University of Cambridge and University of Hong Kong, with a bachelor's degree in Chinese literature, a master's degree in law, and a PhD in Law respectively. He also completed his Common Professional Examination (CPE) with Manchester University in England, as well as a Postgraduate Certificate in Laws (PCLL) with University of Hong Kong. Mr. Liu was appointed as the Company Secretary in July 2007.

SENIOR MANAGEMENT

Mr. Kevin Choo, aged 47, is the vice president of global operation of the Group. Mr. Choo graduated from Sun Yat-Sen University with a medical degree and later obtained a master of business administration from the business school of Stanford University. He has over 20 years' management and investment experience in many industries including new energy heat exchanger, testing and certification, telephony system and strategic consultancy, etc. Mr. Choo joined the Group in November 2014. Prior to joining the Group, he was a chief executive officer of a Sino-American joint venture company in the heat exchanger area and worked for a world leading company in testing and certification industry for many years. Mr. Choo is a dedicated member of American Chamber of Commerce in Shanghai and also a guest speaker of American Chamber of Commerce in Beijing, Shanghai, Hong Kong and Taiwan, etc. and FuDan University.

Miss Wu Wai Ting, Wendy, aged 42, is the chief financial officer of the Group. She is a graduate of Monash University in Australia with a master's degree in Practising Accounting and holds a bachelor's degree in Business (International Trade). Miss Wu is a Certified Practising Accountant of CPA Australia and a member of Hong Kong Institute of Certified Public Accountants. She has 17 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 2014.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out in note 39 to the consolidated financial statements.

An analysis of the Group's performance for the Year by business and geographical segments is set out in note 8 to the consolidated 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 consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31st December 2014 are set out in the consolidated income statement on page 34.

The Directors have recommended, subject to the Shareholders' approval at the forthcoming AGM to be held on Friday, 15th May 2015, the payment of a final dividend of HK$0.05 per share to the shareholders whose names appear on the Company's register of members, on Wednesday, 27th May 2015. The proposed final dividend is expected to be paid on or about Friday, 12th June 2015, which includes dividends of approximately HK$1.1 million (2013: HK$Nil) for shares held in trust under a share award scheme adopted on 6th October 2014 (the "Share Award Scheme").

RESERVES

Movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 38 and note 29 to the consolidated financial statements.

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the investment properties and property, plant and equipment of the Group during the year are set out in notes 18 and 19 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the bye-laws of the Company (the "Bye-laws") and there is no restriction against such rights under the laws of Bermuda.

FIVE-YEAR FINANCIAL SUMMARY

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

PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's shares during the year under review, except the trustee of the Share Award Scheme, pursuant to the rules and trust deed of the Share Award Scheme, purchased an aggregate of approximately 22.3 million shares of the Company's existing shares on the market at a total consideration of approximately HK$28.5 million.

SHARE OPTIONS

There is no valid share option scheme of the Company during the year.

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 Company's share option scheme are set out in note 32 to the consolidated financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

A brief biographical details of Directors and senior management are set out on pages 16 and 17.

Directors' Report

DIRECTORS

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

Executive Directors:

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

Independent Non-Executive Directors:

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

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors except Mr. Zhu Jiang has entered into a service contract with the Company for a term of three years from 1st June 2013. Mr. Zhu Jiang has entered into a service contract with the Company for a term of three years from 24th July 2013. Their respective service contracts (which are automatically renewed for successive terms of one year each upon expiry of the then current term) are subject to termination by either party giving not less than 6 months' notice in writing.

The Independent Non-Executive Directors, Messrs. Wu Jia Jun and Zhong Peng Rong, were appointed for a two-year term expiring on 24th October 2013 and have agreed to continue their appointment for another two-year term expiring on 24th October 2015. Ms. Shen Yan was appointed as Independent Non-Executive Director for a term of two years expiring on 11th January 2014 and has agreed to continue her appointment for another two-year term expiring on 11th January 2016.

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

CONTRACTS OF SIGNIFICANCE

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

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

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' emoluments and the five highest paid individuals in the Group are set out in notes 11 and 12 to the consolidated financial statements respectively.

SHARE AWARD SCHEME

Pursuant to a resolution of the Board meeting dated 6th October 2014 (the "Adoption Date"), the Board approved the adoption of the Share Award Scheme under which shares of the Company may be awarded to selected employees (excluding any director and any chief executive) (the "Selected Employees") in accordance with its provisions. The purpose of the Share Award Scheme is to recognise and reward the contribution of certain employees to the business growth and development of the Group through an award of Shares. The Share Award Scheme will remain in force for a period of 3 years commencing on the Adoption Date. The total number of shares which may be granted to the Selected Employees under the Share Award Scheme shall not exceed 3% of the total issued share capital of the Company from time to time.

As at 31st December 2014, the Company paid approximately HK$28.5 million to the trustee of the Share Award Scheme pursuant to the Share Award Scheme. During the year, the Company was informed by the trustee that it had purchased an aggregate of approximately 22.3 million shares of the Company's existing shares on the market for the purpose of the Share Award Scheme.

During the year ended 31st December 2014, the Company has not granted any share held for the Share Award Scheme to any Selected Employees of the Group.

Further details in relation to the Share Award Scheme are set out in note 33 to the consolidated financial statements.

CONVERTIBLE BONDS

Details of the convertible bonds issued by the Company are set out in note 37 to the consolidated financial statements.

Directors' Report

EMOLUMENT POLICY

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

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

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

As at 31st December 2014, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as required pursuant to the minimum standards of dealing by the Directors as referred to in rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Exchange were as follows:

(1) Long positions in the shares of the Company

Name of Director	Nature of interests	Number of ordinary shares	Capacity	Percentage to the issued share capital of the Company
Mr. Zhu Wei Sha	Corporate *(Note)*	660,000,000	Interest of a controlled corporation	36.83%
	Personal	300,000	Beneficial owner	0.02%
Mr. Chen Fu Rong	Corporate *(Note)*	660,000,000	Interest of a controlled corporation	36.83%
Mr. Shi Guang Rong	Personal	25,060,000	Beneficial owner	1.40%
Mr. Zhu Jiang	Personal	7,926,756	Beneficial owner	0.44%
Mr. Wang An Zhong	Personal	6,736,756	Beneficial owner	0.38%
Mr. Zhong Peng Rong	Personal	1,600,000	Beneficial owner	0.09%
Mr. Wu Jia Jun	Personal	1,212,000	Beneficial owner	0.07%
Ms. Shen Yan	Personal	524,000	Beneficial owner	0.03%

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

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

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

None of the Directors or chief executive of the Company had, as at 31st December 2014, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as required to be notified to the Company and the Exchange pursuant to the minimum standards of dealing by the Directors as referred to in rule 5.46 of the GEM Listing Rules.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far as is known to any Director or chief executive of the Company, as at 31st December 2014, the following is a list of the substantial shareholders (other than Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in the shares of the Company

Name of shareholders	Nature of interests	Number of ordinary shares	Capacity	Percentage to the issued share capital of the Company
Super Dragon *(Note)*	Corporate	660,000,000	Beneficial owner	36.83%
Gold Swiss Holdings Limited	Corporate	100,000,000	Beneficial owner	5.58%

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

Save as disclosed above, as at 31st December 2014, the Company had not been notified by any person (other than Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

MANAGEMENT CONTRACTS

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

Directors' Report

MAJOR CUSTOMERS AND SUPPLIERS

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

Purchases

–	the largest supplier	13.3%
–	five largest suppliers combined	47.4%

Sales

–	the largest customer	60.0%
–	five largest customers combined	96.0%

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

RELATED PARTY TRANSACTIONS

Significant related party transactions entered into by the Group during the year, which constitute exempted connected transactions or continuing connected transactions under the GEM Listing Rules, are set out in note 35 to the consolidated financial statements.

COMPETING INTERESTS

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

PUBLIC FLOAT

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

AUDITOR

The consolidated financial statements of the Company for the year ended 31st December 2014 were audited by Mazars CPA Limited, Certified Public Accountants.

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

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

Hong Kong, 20th March 2015

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

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

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

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

SECURITIES TRANSACTIONS BY DIRECTORS

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

Corporate Governance Report

BOARD OF DIRECTORS

Board composition

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

The primary functions of the Board include:

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

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

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

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

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

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

The Board comprises a total of eight Directors, with five Executive Directors, namely, Mr. Zhu Wei Sha (Chairman), Mr. Chen Fu Rong (Deputy Chairman), Mr. Shi Guang Rong, Mr. Wang An Zhong and Mr. Zhu Jiang; and three Independent Non-Executive Directors, namely, Mr. Wu Jia Jun, Mr. Zhong Peng Rong and Ms. Shen Yan. The biographies of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report. The Directors, with relevant and sufficient experience and qualifications, have given sufficient time and attention to the affairs of the Group and have exercised due care and fiduciary duties to the significant issues of overall business planning, management and strategic development of the Group.

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

BOARD OF DIRECTORS *(Continued)*

Independent Non-Executive Directors

During the year ended 31st December 2014, the Board at all times complied with the requirement of the GEM Listing Rules of having at least three Independent Non-Executive Directors sit on the Board (more than one third of the Board members) and at least one of them has appropriate professional accounting or related financial management expertise. All the Independent Non-Executive Directors are appointed for a two-year term, and subject to rotation and re-election pursuant to the Company's Bye-laws. Details of their appointment are referred to the section "Directors' Service Contracts" on page 20. Each of the Independent Non-Executive Director has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all Independent Non-Executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

Board practice and conduct of meetings

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

In 2014, there were nine full Board meetings and one AGM held. The attendance record of each member of the Board is set out below:

Executive Directors	**Attendance at Board meetings**	**Attendance at general meeting**
Mr. Zhu Wei Sha *(Chairman)*	8/9	1/1
Mr. Chen Fu Rong *(Deputy Chairman)*	9/9	1/1
Mr. Wang An Zhong	9/9	1/1
Mr. Shi Guang Rong	9/9	1/1
Mr. Zhu Jiang	9/9	1/1
Independent Non-Executive Directors		
Mr. Wu Jia Jun	9/9	1/1
Mr. Zhong Peng Rong	9/9	1/1
Ms. Shen Yan	9/9	1/1

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

Appointment and Re-election of Directors

Each of the Executive Directors except Mr. Zhu Jiang has entered into a service contract with the Company for a term of three years from 1st June 2013. Mr. Zhu Jiang has entered into a service contract with the Company for a term of three years from 24th July 2013. Their respective service contracts (which are automatically renewed for successive terms of one year each upon expiry of the then current term) are subject to termination by either party giving not less than 6 months' notice in writing.

The Independent Non-Executive Directors, Messrs. Wu Jia Jun and Zhong Peng Rong, were appointed for a two-year term expiring on 24th October 2013 and have agreed to continue their appointment for another two-year term expiring on 24th October 2015. Ms. Shen Yan was appointed as Independent Non-Executive Director for a term of two years expiring on 11th January 2014 and has agreed to continue her appointment for another two-year term expiring on 11th January 2016.

BOARD OF DIRECTORS *(Continued)*

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

The Company has established formal, considered and transparent procedures for the appointment of new directors. The procedures and process of appointment, re-election and removal of directors are laid down in the Bye-laws. Pursuant to Article 87(1) of the Bye-laws, at each AGM one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. Accordingly, Mr. Chen Fu Rong, Mr. Wang An Zhong, Mr. Zhong Peng Rong and Ms. Shen Yan will be subject to retirement by rotation and, being eligible, offer themselves for re-election at the forthcoming AGM.

Directors' Training

During the year, all Directors were provided with updates on the latest developments and changes in the GEM Listing Rules and other relevant legal and regulatory requirements from time to time to develop and refresh the Directors' duties and responsibilities.

Board Diversity Policy

The Board has continued adopting a board diversity policy in 2014 and discussed all measurable objectives set for implementing the policy.

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

BOARD OF COMMITTEES

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

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

BOARD OF COMMITTEES *(Continued)*

Nomination Committee

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

Remuneration Committee

The remuneration committee of the Company was established in October 2005. It comprises Ms. Shen Yan (Chairman), Mr. Wang An Zhong, Mr. Zhu Jiang, Mr. Wu Jia Jun and Mr. Zhong Peng Rong. The remuneration committee performs its functions, which primarily include assisting the Board in the overall management of the remuneration practices of the Group to ensure that effective policies, processes and practices are implemented in respect of the incentives for the Executive Directors and senior management, in accordance with provision B.1.2 of the GEM Code.

During the year ended 31st December 2014, the remuneration committee of the Company convened two meeting, in which the remuneration committee reviewed and approved the remuneration packages of the Executive Directors and senior management. All members have attended two meetings.

Details of the Directors' remuneration are set out in note 11 to the consolidated financial statements. In addition, pursuant to the GEM Code provision B.1.5, the annual remuneration of the member of the senior management by band for the year ended 31st December 2014 is set out below:

Remuneration band	**Number of individuals**
HK$Nil to HK$1,100,000	2

BOARD OF COMMITTEES *(Continued)*

Audit Committee

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

The Committee provides an important link between the Board and the Company's auditor in matters coming within the scope of the Group's audit. The primary duties of the Committee are to review and supervise the financial reporting process of the Group. It also reviews the effectiveness of both the external audit and of internal controls and risk evaluation system. The Committee comprises three Independent Non-Executive Directors of the Company, namely Mr. Wu Jia Jun, Mr. Zhong Peng Rong and Ms. Shen Yan. Ms. Shen was appointed as the chairman of the Committee and she has appropriate professional qualifications in accounting and auditing experience. The Committee held four meetings during the current financial year. The Group's audited annual results for the year ended 31st December 2014 have been reviewed by the Committee.

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

Members	**Attendance**
Ms. Shen Yan *(Chairman)*	4/4
Mr. Zhong Peng Rong	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 met the external auditor twice without the presence of the Executive Directors. During the year ended 31st December 2014, the Committee reviewed the financial results and reports, financial reporting and compliance procedures, report on the Company's internal control and risk management review and processes and the re-appointment of external auditor and arrangements for employees to raise concerns about possible improprieties. Besides, there is no disagreement between the Board and the Committee regarding the re-appointment of external auditor. The Committee also carried out and discharged its duties set out in the GEM Code.

AUDITOR'S REMUNERATION

The remuneration in respect of audit services provided by the auditor, Mazars CPA Limited, to the Group in the year 2014 amounted to HK$1,155,000. Non-audit services (including review of interim report and financial information) provided by Mazars CPA Limited to the Group in the year 2014 amounted to HK$65,000.

COMPANY SECRETARY

The Company Secretary of the Company is Mr. Liu Wei. He has taken no less than 15 hours of relevant professional trainings to update his skills and knowledge in 2014.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR ACCOUNTS

The Directors acknowledge their responsibility for the preparation of consolidated financial statements of the Group for the year ended 31st December 2014, which give a true and fair view of the financial position of the Group on a going concern basis.
Statements of Directors' responsibilities for preparing the consolidated financial statements and external auditor's reporting responsibilities are set out in the "Independent Auditor's Report".

INTERNAL CONTROL

During the year ended 31st December 2014, the Directors reviewed and are satisfied with the effectiveness of the Group's internal control system, including, in particular, financial, operational and compliance controls and risk management functions, to safeguard the Group's assets against unauthorised use or disposition, and to protect the interests of the Company and the Shareholders as a whole.

SHAREHOLDERS' RIGHTS

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

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

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

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

INVESTOR RELATIONS

The Company establishes different communication channels with investors to update the latest business development and financial performance including the publication of quarterly, interim and annual reports, the publish and posting of notices, announcements and circulars on the GEM website and the Company's website in order to maintain a high level of transparency, and to ensure there is no selective disclosure of inside information.

CONSTITUTIONAL DOCUMENTS

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

Independent Auditor's Report

MAZARS

Mazars CPA Limited
瑪澤會計師事務所有限公司
42nd Floor, Central Plaza
18 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道18號中環廣場42樓
Tel 電話: (852) 2909 5555
Fax 傳真: (852) 2810 0032
Email 電郵: info@mazars.hk
Website 網址: www.mazars.cn

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

We have audited the consolidated financial statements of Yuxing InfoTech Investment Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 34 to 100, which comprise the consolidated and the Company's balance sheets as at 31st December 2014, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

Independent Auditor's Report

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 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 20th March 2015

Eunice Y M Kwok
Practising Certificate number: P04604

Consolidated Income Statement

For the year ended 31st December 2014

	Notes	2014 HK$'000	2013 HK$'000
Turnover	8	**520,541**	623,136
Cost of sales		**(455,382)**	(558,563)
Gross profit		**65,159**	64,573
Other revenue and net income	9	**370,217**	29,855
Distribution and selling expenses		**(14,073)**	(16,640)
General and administrative expenses		**(80,721)**	(151,415)
Other operating expenses		**(18,973)**	(5,489)
Fair value gains on investment properties	18	**400**	3,120
Change in fair value of derivative financial instruments in connection with the Repurchase(s)	25(c)	**(261,217)**	–
Gain on disposal of a subsidiary		**–**	2,425,977
Profit from operations	10	**60,792**	2,349,981
Finance costs	13	**(8,050)**	(36,693)
Share of results of a joint venture		**–**	25,952
Profit before taxation		**52,742**	2,339,240
Taxation	14	**(22,050)**	(174,276)
Profit for the year		**30,692**	2,164,964
Profit/(Loss) attributable to:			
Owners of the parent	15	**31,012**	2,167,412
Non-controlling interests		**(320)**	(2,448)
		30,692	2,164,964
		HK$	HK$
Earnings per share	17		
– Basic		**0.02**	1.22
– Diluted		**0.02**	1.21

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2014

	2014 HK$'000	2013 HK$'000
Profit for the year	**30,692**	2,164,964
Other comprehensive income/(loss)		
Item that will not be reclassified to profit or loss:		
Revaluation of property, plant and equipment upon transfer to investment properties (net of tax)	**16,023**	–
Items that are reclassified or may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
Change in fair value during the year	**346,201**	–
Less: Reclassification of net changes in fair value to profit or loss upon disposal	**(103,251)**	–
Exchange differences arising on translation of PRC subsidiaries	**(971)**	71,163
Share of other comprehensive loss arising from interest in a joint venture (net of tax)	**–**	(45,993)
Release of translation reserves upon disposal of a subsidiary	**–**	(678,863)
Release of investment revaluation reserves upon disposal of a subsidiary	**–**	(1,636,829)
Other comprehensive income/(loss) for the year	**258,002**	(2,290,522)
Total comprehensive income/(loss) for the year	**288,694**	(125,558)
Total comprehensive income/(loss) attributable to:		
Owners of the parent	**289,014**	(123,110)
Non-controlling interests	**(320)**	(2,448)
	288,694	(125,558)

Consolidated Balance Sheet

As at 31st December 2014

	Notes	As at 31st December 2014 HK$'000	As at 31st December 2013 HK$'000
NON-CURRENT ASSETS			
Investment properties	18	**117,976**	49,600
Property, plant and equipment	19	**50,309**	92,580
Prepaid lease payments	20	**12,714**	13,150
Available-for-sale financial assets	22	**477,704**	–
Financial assets at fair value through profit or loss	25	**–**	323
		658,703	155,653
CURRENT ASSETS			
Inventories	23	**44,200**	79,769
Trade and other receivables	24	**227,100**	216,240
Consideration receivable for disposal of a subsidiary		**–**	1,782,994
Prepaid lease payments	20	**392**	394
Financial assets at fair value through profit or loss	25	**1,394,399**	363,639
Income tax recoverable		**2,636**	644
Pledged bank deposits		**380**	1,811
Cash and bank balances		**349,207**	121,364
		2,018,314	2,566,855
CURRENT LIABILITIES			
Trade and other payables	26	**132,155**	280,279
Dividend payables		**17**	10
Bank and other loans	27	**181,803**	84,075
Financial liabilities at fair value through profit or loss	25	**–**	25,001
Income tax payable		**22,900**	177,078
		336,875	566,443
NET CURRENT ASSETS		**1,681,439**	2,000,412
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,340,142**	2,156,065
NON-CURRENT LIABILITIES			
Deferred tax liabilities	14	**13,448**	–
NET ASSETS		**2,326,694**	2,156,065
CAPITAL AND RESERVES			
Share capital	28	**44,803**	44,803
Reserves	29	**2,271,105**	2,100,156
Equity attributable to owners of the parent		**2,315,908**	2,144,959
Non-controlling interests		**10,786**	11,106
TOTAL EQUITY		**2,326,694**	2,156,065

Approved by the Board on 20th March 2015 and signed on behalf of the Board by:

Zhu Wei Sha
Chairman

Shi Guang Rong
Vice President

Balance Sheet

As at 31st December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	21	**491,875**	560,263
CURRENT ASSETS			
Trade and other receivables	24	**345**	284
Dividend receivable from a subsidiary	21	**110,000**	100,000
Cash and bank balances		**282**	1,299
		110,627	101,583
CURRENT LIABILITIES			
Trade and other payables	26	**884**	55,792
Dividend payables		**17**	10
Amounts due to subsidiaries	21	**4,768**	4,766
		5,669	60,568
NET CURRENT ASSETS		**104,958**	41,015
NET ASSETS		**596,833**	601,278
CAPITAL AND RESERVES			
Share capital	28	**44,803**	44,803
Reserves	29	**552,030**	556,475
TOTAL EQUITY		**596,833**	601,278

Approved by the Board on 20th March 2015 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 2014

	Attributable to owners of the parent													
	Share capital HK$'000	Share premium HK$'000	Shares held for share award scheme HK$'000	Statutory reserves HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Investment revaluation reserves HK$'000	Property revaluation reserves HK$'000	Translation reserves HK$'000	Other reserves HK$'000	Retained profits/ (Accumulated losses) HK$'000	Sub Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 1st January 2013	43,688	41,693	–	20,435	234,621	29,021	1,682,822	–	687,064	–	(393,828)	2,345,516	12,441	2,357,957
Profit for the year	–	–	–	–	–	–	–	–	–	–	2,167,412	2,167,412	(2,448)	2,164,964
Other comprehensive loss:														
Exchange differences arising on translation of PRC subsidiaries	–	–	–	–	–	–	–	–	71,163	–	–	71,163	–	71,163
Share of other comprehensive loss arising from interest in a joint venture (net of tax)	–	–	–	–	–	–	(45,993)	–	–	–	–	(45,993)	–	(45,993)
Release of reserves upon disposal of a subsidiary	–	–	–	–	–	–	(1,636,829)	–	(678,863)	–	–	(2,315,692)	–	(2,315,692)
Total other comprehensive loss	–	–	–	–	–	–	(1,682,822)	–	(607,700)	–	–	(2,290,522)	–	(2,290,522)
Total comprehensive loss for the year	–	–	–	–	–	–	(1,682,822)	–	(607,700)	–	2,167,412	(123,110)	(2,448)	(125,558)
Release of statutory reserves upon disposal of a subsidiary	–	–	–	(11,767)	–	–	–	–	–	–	11,767	–	–	–
Transactions with owners:														
Contributions and distributions														
Issue of shares under share option scheme	1,115	15,572	–	–	–	(3,415)	–	–	–	–	–	13,272	–	13,272
Share options expired	–	–	–	–	–	(25,606)	–	–	–	–	25,606	–	–	–
Interim dividend	–	–	–	–	–	–	–	–	–	–	(89,606)	(89,606)	–	(89,606)
Changes in ownership interests														
Change in ownership interest in a subsidiary that does not result in a loss of control	–	–	–	–	–	–	–	–	–	(1,113)	–	(1,113)	1,113	–
Total transactions with owners	1,115	15,572	–	–	–	(29,021)	–	–	–	(1,113)	(64,000)	(77,447)	1,113	(76,334)
As at 31st December 2013 and as at 1st January 2014	44,803	57,265	–	8,668	234,621	–	–	–	79,364	(1,113)	1,721,351	2,144,959	11,106	2,156,065
Profit for the year	–	–	–	–	–	–	–	–	–	–	31,012	31,012	(320)	30,692
Other comprehensive income:														
Revaluation of property, plant and equipment upon transfer to investment properties (net of tax)	–	–	–	–	–	–	–	16,023	–	–	–	16,023	–	16,023
Change in fair value of available-for-sale financial assets	–	–	–	–	–	–	346,201	–	–	–	–	346,201	–	346,201
Reclassification of net changes in fair value of available-for-sale financial assets to profit or loss upon disposal	–	–	–	–	–	–	(103,251)	–	–	–	–	(103,251)	–	(103,251)
Exchange differences arising on translation of PRC subsidiaries	–	–	–	–	–	–	–	–	(971)	–	–	(971)	–	(971)
Total other comprehensive income	–	–	–	–	–	–	242,950	16,023	(971)	–	–	258,002	–	258,002
Total comprehensive income for the year	–	–	–	–	–	–	242,950	16,023	(971)	–	31,012	289,014	(320)	288,694
Transactions with owners:														
Contributions and distributions														
Final dividend in respect of the financial year ended 31st December 2013	–	–	–	–	–	–	–	–	–	–	(89,606)	(89,606)	–	(89,606)
Shares purchased for share award scheme	–	–	(28,459)	–	–	–	–	–	–	–	–	(28,459)	–	(28,459)
Total transactions with owners	–	–	(28,459)	–	–	–	–	–	–	–	(89,606)	(118,065)	–	(118,065)
As at 31st December 2014	**44,803**	**57,265**	**(28,459)**	**8,668**	**234,621**	**–**	**242,950**	**16,023**	**78,393**	**(1,113)**	**1,662,757**	**2,315,908**	**10,786**	**2,326,694**

Consolidated Cash Flow Statement

For the year ended 31st December 2014

	2014 HK$'000	2013 HK$'000 (restated)
OPERATING ACTIVITIES		
Profit before taxation	**52,742**	2,339,240
Adjustments for:		
Exchange difference	**(800)**	(621)
Write-off of other receivables	**–**	525
Write-down of inventories	**223**	6,635
Reversal of write-down of inventories	**(6,564)**	(142)
Reversal of impairment on other receivables	**(208)**	(399)
Interest income from bank deposits	**(5,262)**	(1,290)
Interest income from other loans and receivables	**–**	(3,287)
Interest expenses	**8,050**	36,693
Dividend income from listed securities	**(20,133)**	(83)
Amortisation of prepaid lease payments	**390**	387
Depreciation of property, plant and equipment	**8,697**	8,905
Fair value gains on investment properties	**(400)**	(3,120)
Loss on disposal of property, plant and equipment	**22**	134
Gain on disposal of available-for-sale financial assets	**(136,607)**	–
Gain on disposal of a subsidiary	**–**	(2,425,977)
Share of results of a joint venture	**–**	(25,952)
OPERATING LOSS BEFORE CHANGES IN WORKING CAPITAL	**(99,850)**	(68,352)
Decrease/(Increase) in inventories	**41,663**	(750)
Increase in trade and other receivables	**(11,268)**	(29,494)
Increase in financial assets at fair value through profit or loss	**(1,048,372)**	(17,274)
(Decrease)/Increase in trade and other payables	**(147,546)**	102,411
CASH USED IN OPERATIONS	**(1,265,373)**	(13,459)
Income taxes paid	**(178,869)**	(43)
Income taxes refund	**634**	–
Paid settlement fee	**–**	(190,791)
NET CASH USED IN OPERATING ACTIVITIES	**(1,443,608)**	(204,293)

Consolidated Cash Flow Statement

For the year ended 31st December 2014

	2014 HK$'000	2013 HK$'000 (restated)
INVESTING ACTIVITIES		
Purchase of available-for-sale financial assets	**(611,465)**	–
Purchase of property, plant and equipment	**(5,300)**	(4,143)
Decrease in pledged bank deposits with original maturities over three months	**–**	13,164
Proceeds from disposal of available-for-sale financial assets	**506,851**	–
Interest received	**5,262**	4,573
Dividend received from listed securities	**20,133**	83
Dividend received from a joint venture	**–**	132,980
Proceeds from disposal of property, plant and equipment	**6**	48
Cash consideration for disposal of a subsidiary	**1,782,994**	–
Net cash inflow on disposal of a subsidiary	**–**	15,209
NET CASH GENERATED FROM INVESTING ACTIVITIES	**1,698,481**	161,914
FINANCING ACTIVITIES		
Proceeds from issue of shares under share option scheme	**–**	13,272
New bank and other loans raised	**1,203,032**	288,662
Loan advanced from a joint venture	**–**	198,423
Repayment of bank loans	**(1,105,122)**	(306,915)
Payments for purchase of shares for share award scheme	**(28,459)**	–
Interest paid	**(8,050)**	(14,467)
Dividend paid	**(89,599)**	(89,596)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	**(28,198)**	89,379
NET INCREASE IN CASH AND CASH EQUIVALENTS	**226,675**	47,000
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**122,793**	73,891
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(261)**	1,902
CASH AND CASH EQUIVALENTS AT END OF YEAR	**349,207**	122,793
Analysis of the balances of cash and cash equivalents:		
Pledged bank deposits with original maturity of less than three months when acquired	**–**	1,429
Time deposits *(Notes (a))*	**25,871**	24,594
Cash at bank and in hand *(Notes (a))*	**323,336**	96,770
	349,207	122,793

Notes:

(a) Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made between one month to three months depending on the immediate cash requirement of the Group and earn interest at a range of 2.07% and 4.35% *(2013: 1.35% and 2.20%)* per annum.

(b) At the balance sheet date, the pledged bank deposits comprised approximately HK$380,000 *(2013: approximately HK$382,000)* which had a maturity of more than three months when acquired and therefore has not been classified as cash equivalents in the consolidated cash flow statement.

Notes to the Consolidated Financial Statements

1. CORPORATE INFORMATION

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

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

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are detailed in note 39.

2. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance ("HKCO") concerning the preparation of financial statements, which for this financial year and the comparative year continue to be those of the predecessor HKCO (Cap.32), in accordance with the transitional and saving arrangements for Part 9 of the HKCO (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing The Listing of Securities on the GEM.

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2013 consolidated financial statements. The adoption of the new/revised HKFRSs which are relevant to the Group and effective from the current year had no significant effects on the results and financial position of the Group and the Company for the current and prior years, except that certain presentation and disclosures of the consolidated financial statements items have been revised. A summary of the principal accounting policies adopted by the Group is set out below.

Adoption of new/revised HKFRSs

Amendments to HKAS 32: Presentation – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify the requirements for offsetting financial instruments. The application of the amendments does not have an impact on the amounts recognised as they are consistent with the accounting policies already adopted by the Group.

Amendments to HKAS 36: Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, additional information is required to be disclosed when the recoverable amount of impaired assets is based on fair value less costs of disposal. These amendments do not have an impact on the consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Basis of measurement

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

(c) Basis of consolidation

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

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

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

Allocation of total comprehensive income

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

Changes in ownership interest

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Subsidiaries

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

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

(e) Property, plant and equipment

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

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

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

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

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

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation surplus or deficit.

Notes to the Consolidated Financial Statements

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Investment properties

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

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

(g) Prepaid lease payments for leasehold land

Prepaid lease payments for leasehold land are up-front payments to acquire fixed-term interests in lessee-occupied land that are classified as operating leases. The premiums are stated at cost less accumulated amortisation and impairment losses and are amortised over the period of the lease on a straight-line basis to profit or loss.

(h) Intangible assets

Research and development costs

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) Financial instruments

Recognition and derecognition

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

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) the Group transfers substantially all the risks and rewards of ownership of the financial asset, or (b) the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises the financial asset to the extent of its continuing involvement and an associated liability for the amounts it may have to pay. A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

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

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

Financial assets or financial liabilities at fair value through profit or loss include financial assets or financial liabilities held for trading and financial assets or financial liabilities designated upon initial recognition as at fair value through profit or loss. They are carried at fair value, with any resultant gain and loss recognised in profit or loss, which includes any dividend or interest earned on financial assets.

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

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

Loans and receivables

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) Financial instruments *(Continued)*

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 other comprehensive income shall be reclassified to profit or loss as a reclassification adjustment.

Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less impairment loss.

Financial liabilities

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

Financial guarantee contracts

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

Impairment of financial assets

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

When an available-for-sale financial asset is impaired, a cumulative loss comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and current fair value, less any previously recognised impairment loss in profit or loss, is reclassified from equity to profit or loss as a reclassification adjustment. Impairment losses recognised in profit or loss in respect of available-for-sale equity instrument are not reversed through profit or loss. Any subsequent increase in fair value of available-for-sale equity instrument after recognition of impairment loss is recognised in equity.

(j) 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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Inventories

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

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

(l) Revenue recognition

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

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

Consultancy fee income is recognised when services are rendered.

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

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

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

(m) Foreign currency translation

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

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

The results and financial position of all the group entities that have a Functional Currency different from the presentation currency ("Foreign Operations") are translated into the presentation currency as follows:

(a) Assets and liabilities for each balance sheet presented and, where applicable, goodwill and fair value adjustments on the carrying amounts of assets and liabilities arising on an acquisition of a Foreign Operation which are to be treated as assets and liabilities of that Foreign Operation, are translated at the closing rate at the balance sheet date;

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Foreign currency translation *(Continued)*

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

(c) All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a Foreign Operation are recognised as a separate component of equity;

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

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

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

(n) Impairment of other assets

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(o) Borrowing costs

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

(p) Provisions

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

(q) Leases

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

(r) Employee benefits

Short-term employee benefits

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

Defined contribution plans

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(s) Share-based payment transactions

Equity-settled transactions

The Group operates a number of share-based compensation plans (including share option schemes and share award schemes), under which the Group receives services from employees as consideration for equity instruments (including share options and awarded shares) of the Group. The fair value of the employee services received in exchange for the grant of equity instruments of the Group is recognised as an expense over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied, and credited to share option reserve and share-based compensation reserve under equity respectively.

For grant of share options, the total amount to be expensed is determined by reference to the fair value of the options at the grant date by 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. For grant of award shares, the total amount to be expensed is determined by reference to the market price of the shares of the Company (the "Shares") at the grant date. The Group also adopts valuation technique to assess the fair value of other equity instruments of the Group granted under the share-based compensation plans as appropriate.

During the vesting period, the Group and the Company revise their estimates of the number of options and awarded shares that are expected to ultimately vest. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, with a corresponding adjustment to the reserve within equity.

When the options are exercised, the amount previously recognised in share option reserve will be transferred to share capital (nominal value) and share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

Upon vesting and transfer the awarded shares to the selected employees, the related costs of the Shares are credited to shares held for share award scheme, and the related fair value of the Shares are debited to share-based compensation reserve. The difference between the cost and the fair value of the Shares is credited to share premium if the fair value is higher than the cost or debited against retained earnings if the fair value is less than the cost.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(t) Taxation

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

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

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

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

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

(u) Related parties

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of the parent of the Group.

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

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) Both entities are joint ventures of the same third party;
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(u) Related parties *(Continued)*

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

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

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

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

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

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

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

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

(v) Segment reporting

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

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

(w) Shares held for share award scheme

Where the Company shares are acquired by the share award scheme from the market, the total consideration of shares acquired from the market (including any directly attributable incremental costs) is presented as shares held for share award scheme and deducted from total equity.

Upon vesting and transfer to the selected employee, the related costs of the awarded shares purchased from the market and shares acquired from reinvesting dividends received on the awarded shares are credited to shares held for share award scheme, with a corresponding decrease in share-based compensation reserve.

3. FUTURE CHANGES IN HKFRSs

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

Amendments to HKAS 19 (2011)	*Defined Benefit Plans – Employee Contributions* [1]
Various HKFRSs	*Annual Improvements Project – 2010-2012 Cycle* [2]
Various HKFRSs	*Annual Improvements Project – 2011-2013 Cycle* [2]
Amendments to HKAS 1	*Disclosure Initiatives* [3]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation* [3]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants* [3]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements* [3]
Amendments to HKAS 28 (2011) and HKFRS 10	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	*Investment Entities: Applying the Consolidation Exception* [3]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations* [3]
HKFRS 14	*Regulatory Deferral Accounts* [3]
Various HKFRSs	*Annual Improvements Project – 2012-2014 Cycle* [4]
HKFRS 15	*Revenue from Contracts with Customers* [5]
HKFRS 9 (2014)	*Financial Instruments* [6]

1 *Effective for annual periods beginning on or after 1 July 2014*
2 *Effective for annual periods beginning on or after 1 July 2014, with limited exceptions*
3 *Effective for annual periods beginning on or after 1 January 2016*
4 *Effective for annual periods beginning on or after 1 January 2016, with limited exceptions*
5 *Effective for annual periods beginning on or after 1 January 2017*
6 *Effective for annual periods beginning on or after 1 January 2018*

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

As described in note 25, the valuation techniques applied by the external valuers for the financial assets/(liabilities) at fair value through profit or loss have been agreed with the Directors. The Directors use their judgment to determine whether valuation techniques applied are appropriate to the circumstances of the Group.

Useful lives of property, plant and equipment

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

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

Allowance for inventories

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

Impairment in respect of trade and other receivables

The provisioning policy for impairment in respect of trade and other receivables of the Group is based on the evaluation by management of the collectability of the outstanding receivables. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each debtor. If the financial conditions of these debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment will be required. At the balance sheet date, the carrying amount of trade and other receivables after provision for impairment amounted to approximately HK$227,100,000 *(2013: approximately HK$216,240,000)*.

Impairment of investment in subsidiaries

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

5. CAPITAL MANAGEMENT

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

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

Meanwhile, the Group monitors its capital structure on the basis of a target gearing ratio determined as the proportion of debt to equity. For this purpose the Group defines debt as total debt (which includes bank and other loans, trade and other payables, dividend payables, financial liabilities at fair value through profit or loss, income tax payable and deferred tax liabilities).

5. CAPITAL MANAGEMENT *(Continued)*

As at the balance sheet date, the Group's gearing ratio was below 50% *(2013: below 50%)*. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The debt-to-equity ratio as at 31st December 2014 and 2013 was as follows:

		Group		Company	
		2014	2013	**2014**	2013
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Current liabilities:					
Trade and other payables	26	**132,155**	280,279	**884**	55,792
Dividend payables		**17**	10	**17**	10
Bank and other loans	27	**181,803**	84,075	**–**	–
Financial liabilities at fair value through profit or loss	25	**–**	25,001	**–**	–
Income tax payable		**22,900**	177,078	**–**	–
Amounts due to subsidiaries	21	**–**	–	**4,768**	4,766
		336,875	566,443	**5,669**	60,568
Non-current liabilities:					
Deferred tax liabilities	14	**13,448**	–	**–**	–
Total debt		**350,323**	566,443	**5,669**	60,568
Total equity		**2,326,694**	2,156,065	**596,833**	601,278
Debt-to-equity ratio		**15.1%**	26.3%	**0.9%**	10.1%

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

Notes to the Consolidated Financial Statements

6. FINANCIAL INSTRUMENTS

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

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

(a) Credit risk

The Group

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

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. As at the balance sheet date, the Group had a concentration of credit risk as 57.3% *(2013: 78.8%)* and 99.6% *(2013: 99.7%)* of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. The Group also had a concentration of credit risk as 79.2% *(2013: Nil)* of total other receivables was due from two *(2013: Nil)* independent third parties.

The maximum exposure to credit risk without taking into account of any collateral held is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. Except for the financial guarantee issued by the Group as set out in note 36, the Group does not provide any guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of this financial guarantee issued at the balance sheet date is disclosed in note 36.

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.

The Company

The Company's credit risk is primarily attributable to amounts due from subsidiaries. As at the balance sheet date, the Company had a concentration of credit risk as 68.6% *(2013: 71.1%)* and 98.8% *(2013: 99.0%)* of the total amounts due from subsidiaries is originated from the Company's largest subsidiary and three largest subsidiaries respectively.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk

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

The Group has unutilised borrowing facilities of approximately HK$286,616,000 *(2013: approximately HK$116,629,000)* as at the balance sheet date to meet the liquidity needs.

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

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

Group

		2014			2013		
	Notes	**Carrying amount HK$'000**	**Total contractual undiscounted cash flow HK$'000**	**Within one year or on demand HK$'000**	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000
Non-derivative financial liabilities							
Trade and other payables	26	**132,155**	**132,155**	**132,155**	280,279	280,279	280,279
Dividend payables		**17**	**17**	**17**	10	10	10
Bank and other loans	27	**181,803**	**185,581**	**185,581**	84,075	86,299	86,299
Derivative financial liabilities							
Financial liabilities at fair value through profit or loss*	25	**–**	**–**	**–**	25,001	1,280,628	1,280,628
		313,975	**317,753**	**317,753**	389,365	1,647,216	1,647,216
Financial guarantee issued	36	**–**	**–**	**–**	–	381,582	381,582

* As at 31st December 2013, total undiscounted cash flow represented the expected cash consideration for the repurchase of 27,000,000 A shares of Ping An Insurance (Group) Company of China, Ltd. ("Ping An shares") on or before the expiry of the put option as further detailed in note 25(c).

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk *(Continued)*

Company

	Notes	2014 Carrying amount HK$'000	2014 Total contractual undiscounted cash flow HK$'000	2014 Within one year or on demand HK$'000	2013 Carrying amount HK$'000	2013 Total contractual undiscounted cash flow HK$'000	2013 Within one year or on demand HK$'000
Non-derivative financial liabilities							
Trade and other payables	26	**884**	**884**	**884**	55,792	55,792	55,792
Dividend payables		**17**	**17**	**17**	10	10	10
Amounts due to subsidiaries	21	**4,768**	**4,768**	**4,768**	4,766	4,766	4,766
		5,669	**5,669**	**5,669**	60,568	60,568	60,568
Financial guarantee issued	36	**–**	**127,500**	**127,500**	–	381,582	381,582

The amounts repayable under loan agreements that include a clause that gives lenders the unconditional right to call loans at any time are classified under the "within one year or on demand" bracket. In this regard, bank loans of approximately HK$9,575,000 *(2013: approximately HK$10,791,000)* (note 27) as at the balance sheet date have been so classified even though the Directors do not expect that lenders would exercise their rights to demand repayment and thus these borrowings (including the aggregate principal and interest cash outflows) would be repaid according to the following schedule as set out in the loan agreements:

	Group 2014 HK$'000	Group 2013 HK$'000
Bank loans with a repayment on demand clause		
Within one year	**1,472**	1,472
More than one year but less than two years	**1,472**	1,472
More than two years but less than five years	**4,416**	4,416
Over five years	**3,396**	4,868
	10,756	12,228

6. FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk

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

As at the balance sheet date, if interest rates had been 100 basis points higher or lower (but on condition that interest rate would not fall below zero) and all other variables were held constant, the Group's net profit would be increased by approximately HK$2,950,000 or HK$1,087,000 respectively *(2013: approximately HK$387,000 or HK$249,000 respectively)*.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2013.

(d) Currency risk

The Group has transactional currency exposure. Such exposure arises from trading and investing transactions denominated in a currency other than the Functional Currency of an operating unit to which they relate. The Group's exposure to foreign currency risk principally arises from changes in exchange rate of United States dollars, Great British Pounds ("GBP") and Renminbi ("RMB") against Hong Kong dollars. Management considers that the Group has limited exposure to foreign currency risk of United States dollars against Hong Kong dollars since the relevant exchange rate has remained relatively stable.

As at the balance sheet date, if GBP and RMB had been 6% *(2013: 2%)* and 1% *(2013: Nil)* respectively strengthened/weakened against Hong Kong dollars while all other variables were held constant, the Group's net profit would be increased/decreased by approximately HK$2,869,000 *(2013: approximately HK$816,000)* and HK$9,187,000 *(2013: HK$Nil)* respectively.

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

6. FINANCIAL INSTRUMENTS *(Continued)*

(e) Equity price risk

The Group is exposed to price risk arising from securities investments and derivative financial instruments classified as financial assets/(liabilities) at fair value through profit or loss (note 25) and available-for-sale financial assets (note 22).

As at the balance sheet date, if the quoted market price had been 25% *(2013: 8%)* and 1% *(2013: Nil)* higher/lower while all other variables were held constant, the Group's net profit would be increased/decreased by approximately HK$85,414,000 *(2013: increased by approximately HK$170,516,000 or decreased by approximately HK$162,472,000)* and approximately HK$10,521,000 *(2013: HK$Nil)* respectively due to change in the fair value of financial assets at fair value through profit or loss classified as held-for-trading and designated upon initial recognition.

As at the balance sheet date, if the quoted market price had been 10% higher/lower while all other variables were held constant, the Group's other comprehensive income would be increased/decreased by approximately HK$47,770,000 due to change in the fair value of available-for-sale financial assets.

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. The analysis is performed on the same basis for 2013.

7. FAIR VALUE MEASUREMENTS

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

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in these consolidated financial statements on a recurring basis at 31st December 2014 across the three levels of the fair value hierarchy defined in HKFRS 13, *Fair Value Measurement*, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

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

7. FAIR VALUE MEASUREMENTS *(Continued)*

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

	Notes	**2014 HK$'000**	**Level 1 HK$'000**	**Level 2 HK$'000**	**Level 3 HK$'000**
Investment properties	18	**117,976**	**–**	**117,976**	**–**
Available-for-sale financial assets	22	**477,704**	**477,704**	**–**	**–**
Financial assets at fair value through profit or loss	25	**1,394,399**	**1,393,776**	**–**	**623**

	Notes	2013 HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Investment properties	18	49,600	–	49,600	–
Financial assets at fair value through profit or loss	25	363,962	72,592	291,047	323
Financial liabilities at fair value through profit or loss	25	(25,001)	–	(25,001)	–

During the years ended 31st December 2014 and 2013, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 fair value measurements.

Financial instruments measured at fair value based on Level 3

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

Description	**Financial assets at fair value through profit or loss 2014 HK$'000**	2013 HK$'000
Opening balance	**323**	(98)
Net gains on change in fair value recognised in profit or loss	**300**	421
Closing balance	**623**	323
Change in unrealised gains for the year included in profit or loss for financial instruments held as at the balance sheet date	**300**	421

Basis of determining fair value of financial assets at fair value through profit or loss has been detailed in note 25(b). As at the balance sheet date, if the expected volatility of the investment portfolio held by Up Spacious Global Investments Limited ("Up Spacious"), a subsidiary of the Company, had been 14% *(2013: 8%)* higher/lower while all other variables were held constant, the Group's net profit would be decreased by approximately HK$84,000 or increased by approximately HK$121,000 *(2013: net profit would be increased by approximately HK$20,000 or HK$33,000 respectively)*.

8. SEGMENT INFORMATION

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

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

The investing segment comprises trading of securities and investing in funds and available-for-sale financial assets.

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

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

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

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

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

8. SEGMENT INFORMATION *(Continued)*

Business segments

Turnover represents net invoiced value of goods sold to customers less returns and allowance. An analysis of the Group's turnover, other revenue and net income, changes in fair value of investment properties, share of results of a joint venture, gain on disposal of a subsidiary, segment results and segment assets and liabilities by business segments is as follows:

For the year ended 31st December 2014

	Information home appliances HK$'000	Investing HK$'000	Trading HK$'000	Other operations HK$'000	Elimination HK$'000	Consolidated HK$'000
TURNOVER						
External sales	520,010	–	531	–	–	520,541
Inter-segment sales	–	–	4,910	–	(4,910)	–
OTHER REVENUE AND NET INCOME	3,463	354,702	208	9,151	(2,722)	364,802
FAIR VALUE GAINS ON INVESTMENT PROPERTIES	–	–	–	400	–	400
Total	523,473	354,702	5,649	9,551	(7,632)	885,743
RESULTS						
Segment results	3,097	67,490	(102)	786	–	71,271
Unallocated corporate income						153
Interest income from bank deposits						5,262
Other unallocated corporate expenses						(15,894)
						60,792
Finance costs						(8,050)
Profit before taxation						52,742
Taxation						(22,050)
Profit for the year						30,692

Notes to the Consolidated Financial Statements

8. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

As at 31st December 2014

	Information home appliances HK$'000	Investing HK$'000	Trading HK$'000	Other operations HK$'000	Unallocated HK$'000	Consolidated HK$'000
ASSETS						
Segment assets	280,246	2,241,255	5,750	130,264	–	2,657,515
Unallocated corporate assets					19,502	19,502
Consolidated total assets						2,677,017
LIABILITIES						
Segment liabilities	141,372	175,554	1,972	24,307	–	343,205
Unallocated corporate liabilities					7,118	7,118
Consolidated total liabilities						350,323
OTHER INFORMATION						
Capital additions	5,204	–	–	–	96	5,300
Depreciation and amortisation	7,699	–	436	594	358	9,087
Write-down of inventories	176	–	47	–	–	223
Reversal of write-down of inventories	(6,564)	–	–	–	–	(6,564)
Reversal of impairment on other receivables	–	–	(208)	–	–	(208)
Change in fair value of derivative financial instruments in connection with the Repurchase(s)	–	261,217	–	–	–	261,217

8. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

For the year ended 31st December 2013

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

8. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

As at 31st December 2013

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

8. SEGMENT INFORMATION *(Continued)*

Geographical information

The Group operates in the following principal geographical areas: the People's Republic of China (other than Hong Kong, Taiwan and Macau) (the "PRC"), Hong Kong and Australia *(2013: the PRC, Hong Kong and Australia)*.

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

	Revenue from external customers		Non-current assets	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
The PRC	**312,482**	412,082	**128,462**	102,809
Hong Kong	**49,122**	85,733	**52,537**	52,521
Australia	**120,199**	67,760	**–**	–
Other overseas markets	**38,738**	57,561	**–**	–
	520,541	623,136	**180,999**	155,330

In addition to the information disclosed above, the Group generated other revenue and net income from information home appliances segment of approximately HK$3,463,000 *(2013: approximately HK$5,674,000)* in the PRC, and the Group generated other revenue and net income from investing segment of approximately HK$350,774,000 *(2013: approximately HK$8,486,000)* and approximately HK$3,928,000 *(2013: approximately HK$1,211,000)* in the PRC and Hong Kong respectively.

The Group also generated other revenue and net income from trading segment of approximately HK$208,000 *(2013: approximately HK$83,000)* in the PRC, and the Group generated other revenue and net income from other operations segment of approximately HK$4,867,000 *(2013: approximately HK$4,450,000)* and approximately HK$1,562,000 *(2013: approximately HK$1,392,000)* in the PRC and Hong Kong respectively.

Information about major customers

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

	2014	2013
	HK$'000	HK$'000
Customer A	**312,103**	408,805
Customer B	**120,199**	67,760
Customer C	**N/A**	82,285
	432,302	558,850

Notes to the Consolidated Financial Statements

9. OTHER REVENUE AND NET INCOME

	2014 HK$'000	2013 HK$'000
Other revenue		
Dividend income from listed securities	**20,133**	83
Interest income from bank deposits	**5,262**	1,290
Interest income from other loans and receivables	**–**	3,287
Consultancy fee income	**–**	5,831
Rental income from investment properties	**1,562**	1,392
Rental income from buildings	**4,867**	4,450
Sundry income	**3,325**	1,055
	35,149	17,388
Other net income		
Foreign exchange gain, net	**–**	498
Net unrealised gain on financial assets at fair value through profit or loss		
– held for trading	**12,432**	–
– designated upon initial recognition	**3,727**	421
Gain on disposal of financial assets at fair value through profit or loss		
– held for trading	**180,322**	5,911
– designated upon initial recognition	**1,772**	–
Gain on disposal of available-for-sale financial assets	**136,607**	–
Reversal of impairment on other receivables	**208**	399
Write-off of long outstanding trade payables	**–**	5,238
	335,068	12,467
	370,217	29,855

Notes to the Consolidated Financial Statements

10. PROFIT FROM OPERATIONS

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

	2014 **HK$'000**	2013 HK$'000
Auditor's remuneration	**1,155**	1,100
Write-off of other receivables	**–**	525
Amortisation of prepaid lease payments	**390**	387
Depreciation of property, plant and equipment	**8,697**	8,905
Cost of inventories	**455,382**	558,563
Foreign exchange loss/(gain)	**6,266**	(498)
Loss on disposal of property, plant and equipment	**22**	134
Reversal of write-down of inventories*	**(6,564)**	(142)
Reversal of impairment on other receivables	**(208)**	(399)
Write-down of inventories	**223**	6,635
Net unrealised (gain)/loss on financial assets at fair value through profit or loss – held for trading	**(12,432)**	3,729
Direct outgoings from leasing of investment properties	**5**	5
Operating lease charges on premises	**5,061**	3,950
Research and development costs	**102**	36
Staff costs (including Directors' emoluments *(note 11)*):		
Salaries and allowances	**67,469**	138,440
Retirement benefits scheme contributions	**5,371**	6,614
Total staff costs	**72,840**	145,054

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

11. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the eight *(2013: eight)* Directors were as follows:

		Other emoluments			
Name of Director	Fees HK$'000	Salaries, allowances and other benefits in kind HK$'000	Bonuses HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive Directors					
Zhu Wei Sha	**–**	**1,180**	**–**	**17**	**1,197**
Chen Fu Rong	**–**	**769**	**–**	**93**	**862**
Shi Guang Rong	**–**	**1,059**	**–**	**111**	**1,170**
Wang An Zhong	**–**	**692**	**–**	**123**	**815**
Zhu Jiang	**–**	**865**	**–**	**60**	**925**
Independent Non-Executive Directors					
Wu Jia Jun	**88**	**–**	**–**	**–**	**88**
Zhong Peng Rong	**88**	**–**	**–**	**–**	**88**
Shen Yan	**88**	**–**	**–**	**–**	**88**
Total for 2014	**264**	**4,565**	**–**	**404**	**5,233**
Executive Directors					
Zhu Wei Sha	–	1,017	39,411	15	40,443
Chen Fu Rong	–	684	4,019	186	4,889
Shi Guang Rong	–	837	4,667	230	5,734
Wang An Zhong	–	595	5,291	225	6,111
Zhu Jiang *(Appointed on 24th July 2013)*	–	457	926	31	1,414
Independent Non-Executive Directors					
Wu Jia Jun	70	–	–	–	70
Zhong Peng Rong	70	–	–	–	70
Shen Yan	70	–	–	–	70
Total for 2013	210	3,590	54,314	687	58,801

During the years 2014 and 2013, no emolument was paid by the Group to any Director as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any emolument during both years.

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

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the year, three of the Directors *(2013: four)* are included in the five highest paid individuals of the Group. Details of Directors' emoluments are set out in note 11 above. The emoluments of the remaining two *(2013: one)* highest paid individual, who is employee of the Group, are as follows:

	2014 HK$'000	2013 HK$'000
Basic salaries, allowances and other benefits in kind	**2,156**	2,868
Retirement benefits scheme contributions	**79**	82
	2,235	2,950

The emoluments of the above two *(2013: one)* highest paid individual fell within the following bands:

	2014 Number of individuals	2013 Number of individuals
HK$1,000,001 – HK$2,000,000	**2**	–
HK$2,000,001 – HK$3,000,000	**–**	1
	2	1

13. FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Interest on bank loans wholly repayable within five years	**5,988**	10,137
Interest on bank loans wholly repayable over five years	**132**	287
Interest on loan advanced from a joint venture	**–**	4,043
Interest on other loan	**1,930**	–
Total borrowing costs	**8,050**	14,467
Amortised interest expenses in respect of settlement fee payable	**–**	22,226
	8,050	36,693

The analysis shows the finance costs of bank and other loans, including term loans which contain a repayment on demand clause, in accordance with the agreed scheduled repayment dates set out in the loan agreements. For the year ended 31st December 2014, the interest on bank loans which contain a repayment on demand clause amounted to approximately HK$132,000 *(2013: approximately HK$287,000)*.

Notes to the Consolidated Financial Statements

14. TAXATION

The taxation charged to profit or loss represents:

	2014	2013
	HK$'000	HK$'000
Current tax		
PRC enterprise income tax		
Current year	**22,050**	177,056
Overprovision in prior year	**–**	(2,780)
	22,050	174,276
Deferred taxation		
Origination and reversal of temporary difference	**–**	(17)
Benefit of tax losses recognised	**–**	17
	–	–
Charge for the year	**22,050**	174,276

For the years ended 31st December 2014 and 2013, Hong Kong Profits Tax has not been provided as the Group did not have any assessable profit from Hong Kong.

The income tax provision in respect of operations in the PRC is calculated at the applicable tax rate of 25% on the estimated assessable profits for 2014 and 2013 based on existing legislation, interpretations and practices in respect thereof. Two operating subsidiaries *(2013: two)* of the Company have been officially designated by the local tax authority as "New and High Technology Enterprise" and another operating subsidiary (*2013: Nil*) of the Company has been officially designated by the local tax authority as "Participant of Development in Western China". As a result, the effective tax rate for these subsidiaries is 15% for 2014 *(2013: 15%)*.

According to applicable PRC tax regulations, RMB Qualified Foreign Institutional Investors ("RQFII") are temporarily exempt from the PRC enterprise income tax in respect of the PRC sourced gains derived from the transfer of shares on or after 17th November 2014. A subsidiary incorporated in Hong Kong is subject to the PRC enterprise income tax rate of 10% on the PRC sourced gains derived by RQFII from transfer of shares prior to 17th November 2014.

In 2013, a subsidiary of the Company incorporated in British Virgin Islands ("BVI") was subject to the withholding tax rate of 10% on the capital gain from the disposal of investment in the PRC.

14. TAXATION *(Continued)*

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

	2014 HK$'000	2013 HK$'000
Profit before taxation	**52,742**	2,339,240
Tax at a weighted average rate of 15.16% *(2013: 9.85%)* applicable to the jurisdictions concerned	**7,996**	230,350
Tax effect of non-deductible expenses	**46,897**	1,510
Tax effect of non-taxable income	**(55,498)**	(65,484)
Tax effect of utilisation of tax losses not previously recognised	**(499)**	(2,295)
Tax effect of unrecognised tax losses and temporary differences	**4,939**	13,484
Tax effect of overprovision in prior year	**–**	(2,764)
Withholding tax on gains derived under RQFII programme	**17,737**	–
Others	**478**	(525)
Tax expenses for the year	**22,050**	174,276

Recognised deferred tax assets and liabilities

The movement for the year in the Group's net deferred tax liabilities is as follows:

	2014 HK$'000	2013 HK$'000
Charge to other comprehensive income	**13,448**	–

	Assets		Liabilities	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Land appreciation tax adjustment	**–**	–	**(14,096)**	–
Depreciation allowances	**–**	–	**(153)**	(135)
Tax losses	**801**	135	**–**	–
Deferred tax assets/(liabilities)	**801**	135	**(14,249)**	(135)
Offsetting	**(801)**	(135)	**801**	135
Net deferred tax assets/(liabilities)	**–**	–	**(13,448)**	–

The balance represented deferred tax liabilities on the land appreciation tax adjustment arising from revaluation of property, plant and equipment upon transfer to investment properties.

Notes to the Consolidated Financial Statements

14. TAXATION *(Continued)*

Unrecognised deferred tax assets arising from

	2014 HK$'000	2013 HK$'000
Deductible temporary differences	**21,806**	33,087
Tax losses	**141,726**	119,909
	163,532	152,996

As at 31st December 2014, the Group had unrecognised deferred tax assets of approximately HK$28,209,000 *(2013: approximately HK$26,709,000)* in respect of the tax losses and other temporary differences. As it is not probable that future taxable profits will be available against which the deductible temporary differences and the unused tax losses of the Group can be utilised, deferred tax assets have not been recognised. The expiry of unrecognised tax losses are as follows:

	2014 HK$'000	2013 HK$'000
Tax losses without expiry date	**128,654**	100,346
Tax losses expiring on 31st December 2019	**5,990**	–
Tax losses expiring on 31st December 2018	**4,497**	4,203
Tax losses expiring on 31st December 2017	**1,247**	1,251
Tax losses expiring on 31st December 2016	**227**	228
Tax losses expiring on 31st December 2015	**1,111**	4,465
Tax losses expiring on 31st December 2014	**–**	9,416
	141,726	119,909

The profits earned by PRC subsidiaries from 1st January 2008 onwards would be subject to withholding tax if they are distributed. The estimated withholding tax effects on the distribution of retained profits of these PRC subsidiaries were HK$Nil *(2013: HK$Nil)*. In the opinion of the Directors, all undistributed profits are expected to be retained in the PRC subsidiaries and not to be remitted out of the PRC in the foreseeable future. Accordingly, no provision for deferred tax has been made.

15. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The profit attributable to owners of the parent includes a profit of approximately HK$85,161,000 *(2013: approximately HK$39,294,000)* which has been dealt with in the financial statements of the Company.

16. DIVIDENDS

	2014 HK$'000	2013 HK$'000
Interim dividend of HK$Nil *(2013: HK$0.05)* per share *(Note (a))*	**–**	89,606
Proposed final dividend of HK$0.05 *(2013: HK$0.05)* per share based on issued share capital at 31st December *(Note (b))*	**89,606**	89,606
Less: Proposed final dividend for shares held for share award scheme (the "Share Award Scheme") at 31st December *(Note (b))*	**(1,115)**	–
	88,491	89,606
	88,491	179,212

Notes:

(a) On 10th May 2013, the Board declared an interim dividend of HK$0.05 per share in respect of the financial year ended 31st December 2013. This interim dividend was distributed on 24th June 2013.

(b) On 20th March 2015, the Board proposed the payment of a final dividend of HK$0.05 per share. The proposed final dividend has not been recognised as dividend payables in the balance sheet as at 31st December 2014, but will be reflected as an appropriation of reserves in the year ending 31st December 2015 if it is approved by the shareholders of the Company (the "Shareholders") in the forthcoming annual general meeting ("AGM"). The proposed final dividend for shares held for the Share Award Scheme of approximately HK$1,115,000 *(2013: HK$ Nil)* will be deducted from the total proposed final dividend.

The proposed final dividend of HK$0.05 per share in respect of the financial year ended 31st December 2013 was approved by the Shareholders at the AGM on 16th May 2014 and was distributed on 13th June 2014.

Notes to the Consolidated Financial Statements

17. EARNINGS PER SHARE

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

	2014 **HK$'000**	2013 HK$'000
Profit attributable to owners of the parent	**31,012**	2,167,412

	2014 **'000**	2013 '000
Issued ordinary shares at 1st January	**1,792,117**	1,747,506
Effect of share options exercised	**–**	32,221
Weighted average number of ordinary shares for basic earnings per share	**1,792,117**	1,779,727
Effect of dilutive potential ordinary shares:		
Exercise of share options	**N/A**	7,753
Weighted average number of ordinary shares for diluted earnings per share	**1,792,117**	1,787,480
	HK$	HK$
Earnings per share:		
– Basic	**0.02**	1.22
– Diluted *(Note)*	**0.02**	1.21

Note: Diluted earnings per share is the same as the basic earnings per share for the year ended 31st December 2014 because no potential dilutive share outstanding during the year.

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

18. INVESTMENT PROPERTIES

	Group	
	2014 **HK$'000**	2013 HK$'000
At fair value		
At beginning of year	**49,600**	46,480
Fair value gains	**400**	3,120
Transfer from property, plant and equipment	**67,976**	–
At balance sheet date	**117,976**	49,600

The carrying amounts of the investment properties held under medium-term leases and situated in the PRC and Hong Kong are approximately HK$67,976,000 *(2013: HK$ Nil)* and HK$50,000,000 *(2013: HK$49,600,000)* respectively.

The investment properties were revalued as at 31st December 2014 on an open market basis by Roma Appraisals Limited, which are independent professional qualified valuers not connected with the Group and with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

19. 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 and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
Reconciliation of carrying amounts – year ended 31st December 2013							
At beginning of year	66,892	2,633	8,314	2,595	14,237	818	95,489
Additions	–	–	316	1,378	2,020	429	4,143
Disposal of a subsidiary	–	–	–	–	–	(740)	(740)
Disposals	–	–	–	(126)	(31)	(27)	(184)
Depreciation	(2,881)	(99)	(1,647)	(1,263)	(2,879)	(136)	(8,905)
Exchange realignment	2,057	–	237	61	399	23	2,777
At balance sheet date	66,068	2,534	7,220	2,645	13,746	367	92,580
Reconciliation of carrying amounts – year ended 31st December 2014							
At beginning of year	66,068	2,534	7,220	2,645	13,746	367	92,580
Additions	–	–	2,047	1,170	1,903	180	5,300
Disposals	–	–	–	(14)	(13)	–	(27)
Depreciation	(2,904)	(99)	(1,786)	(1,187)	(2,641)	(80)	(8,697)
Exchange realignment	(239)	–	(31)	(13)	(57)	(2)	(342)
Revaluation	29,471	–	–	–	–	–	29,471
Transfer to Investment Properties	(67,976)	–	–	–	–	–	(67,976)
At balance sheet date	**24,420**	**2,435**	**7,450**	**2,601**	**12,938**	**465**	**50,309**
As at 1st January 2014							
Cost	92,402	2,972	22,200	10,273	47,167	1,268	176,282
Accumulated depreciation and impairment losses	(26,334)	(438)	(14,980)	(7,628)	(33,421)	(901)	(83,702)
	66,068	2,534	7,220	2,645	13,746	367	92,580
As at 31st December 2014							
Cost	35,736	2,972	23,851	11,196	48,693	1,446	123,894
Accumulated depreciation and impairment losses	(11,316)	(537)	(16,401)	(8,595)	(35,755)	(981)	(73,585)
	24,420	**2,435**	**7,450**	**2,601**	**12,938**	**465**	**50,309**

Notes:

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

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

20. 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$12,714,000 *(2013: approximately HK$13,150,000)*. The amount to be amortised within the next twelve months after the balance sheet date of approximately HK$392,000 *(2013: approximately HK$394,000)* is included in current assets.

21. INTERESTS IN SUBSIDIARIES

	Company	
	2014	2013
	HK$'000	HK$'000
Unlisted shares, at cost	**176,002**	176,000
Amounts due from subsidiaries *(Note (a))*	**335,243**	384,263
Impairment loss	**(19,370)**	–
	315,873	384,263
Interests in subsidiaries	**491,875**	560,263
Dividend receivable from a subsidiary	**110,000**	100,000
Amounts due to subsidiaries *(Note (b))*	**(4,768)**	(4,766)

Notes:

(a) Amount due from a subsidiary of approximately HK$10,254,000 *(2013: HK$3,675,000)* is unsecured, interest-bearing at a rate of 4.5% *(2013: 5%)* per annum and not expected to be realised in the next twelve months from the balance sheet date. All other amounts due from subsidiaries are unsecured, interest-free and not expected to be realised in the next twelve months from the balance sheet date.

(b) Amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

Details of subsidiaries which principally affected the results, assets or liabilities of the Group as at 31st December 2014 are set out in note 39.

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2014	2013
	HK$'000	HK$'000
At fair value		
Equity securities – listed		
Listed outside Hong Kong	**477,704**	–

The fair values of the listed securities are determined based on the quoted market bid price available on the relevant stock exchanges.

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

Details of the investee of which the carrying amount exceeds 10% of the total assets of the Group as at 31st December 2014 were as follows:

Company name	Place of incorporation	Class of shares held	Proportion of the nominal value of issued ordinary shares held by the Group
Ping An Insurance (Group) Company of China Ltd.	The PRC	Ordinary Share	0.06%

23. INVENTORIES

	Group	
	2014	2013
	HK$'000	HK$'000
Raw materials	**27,882**	33,854
Work-in-progress	**8,090**	32,851
Finished goods	**8,228**	13,064
	44,200	79,769

24. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade and bills receivables	**124,680**	161,313	**–**	–
Less: Impairment in respect of trade receivables	**(2,540)**	(2,545)	**–**	–
	122,140	158,768	**–**	–
Other receivables, net of impairment	**100,282**	8,668	**–**	1
Prepayments and deposits	**4,678**	8,090	**345**	283
Other loans	**–**	40,714	**–**	–
	227,100	216,240	**345**	284

The amount of the Group's trade and other receivables expected to be recovered or recognised as expense after more than one year is approximately HK$781,000 *(2013: approximately HK$2,185,000)*. All of the other trade and other receivables are expected to be recovered or recognised as expenses within one year.

As at 31st December 2014, other receivables represented mainly (i) consideration receivable from an independent third party for transfer of approximately 1% equity interest in a target company of approximately RMB37,600,000 (equivalent to approximately HK$47,700,000) which is repayable within six months; and (ii) another receivable from an independent third party of approximately RMB27,900,000 (equivalent to approximately HK$35,400,000) related to potential equity investment which has no repayment term. Details of the transfer of equity interest in a target company are set out in note 37.

Notes to the Consolidated Financial Statements

24. TRADE AND OTHER RECEIVABLES *(Continued)*

The Group grants its trade customers an average credit period from 30 days to 18 months *(2013: 30 days to 18 months)*. The ageing analysis of trade and bills receivables (net of impairment) by delivery date at the balance sheet date is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
0-30 days	**66,549**	84,875
31-60 days	**35,439**	48,881
61-90 days	**16,464**	18,813
Over 90 days	**3,688**	6,199
	122,140	158,768

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

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

	Group	
	2014	2013
	HK$'000	HK$'000
As at 1st January	**2,545**	3,999
Write-off	**–**	(1,544)
Exchange realignment	**(5)**	90
As at 31st December	**2,540**	2,545

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

	Group	
	2014	2013
	HK$'000	HK$'000
As at 1st January	**359**	1,256
Reversal of impairment loss	**(208)**	(399)
Write-off	**–**	(531)
Exchange realignment	**(2)**	33
As at 31st December	**149**	359

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 is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Neither past due nor impaired	**105,677**	150,265
Less than 3 months past due	**16,130**	8,390
3 months to 6 months past due	**3**	–
6 months to 9 months past due	**77**	–
Past due over 9 months	**253**	113
Past due but not impaired	**16,463**	8,503
	122,140	158,768

Receivables that were neither past due nor impaired or past due but not impaired relate to a wide range of customers that have a good track record with the Group. Based on past experience, management believes that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable. The Group does not hold any collateral over these balances.

Notes to the Consolidated Financial Statements

25. FINANCIAL ASSETS/(LIABILITIES) AT FAIR VALUE THROUGH PROFIT OR LOSS

		Group			
		2014		2013	
		Assets	**Liabilities**	Assets	Liabilities
	Notes	**HK$'000**	**HK$'000**	HK$'000	HK$'000
Held-for-trading investments (at fair value):					
Equity securities listed in Hong Kong		**105,628**	**–**	2,059	–
Equity securities listed outside Hong Kong		**236,028**	**–**	70,533	–
	(a)	**341,656**	**–**	72,592	–
Designated upon initial recognition (at fair value):					
Money market funds	(a),(d)	**1,052,120**	**–**	–	–
Derivative financial instruments (at fair value):					
Guaranteed minimum return contract	(b)	**623**	**–**	323	–
Equity investment contract	(c)	**–**	**–**	291,047	(25,001)
		623	**–**	291,370	(25,001)
		1,394,399	**–**	363,962	(25,001)
At the balance sheet date:					
Current portion		**1,394,399**	**–**	363,639	(25,001)
Non-current portion		**–**	**–**	323	–
		1,394,399	**–**	363,962	(25,001)

Notes:

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

25. FINANCIAL ASSETS/(LIABILITIES) AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Notes: (Continued)

(b) *Guaranteed minimum return contract*

In 2012, Yuxing Technology Company Limited ("YXT"), an indirect wholly-owned subsidiary of the Company, and a third party (the "Counterparty") established a new legal entity namely Up Spacious, a company incorporated in the BVI. YXT holds 66.67% equity interest in Up Spacious with an initial investment cost of HK$20,000,000 whereas the Counterparty holds the remaining shareholding of 33.33% in Up Spacious with an initial investment cost of HK$10,000,000. The principal activity of Up Spacious is trading of securities. Thereafter, YXT entered into a contract with the Counterparty pursuant to which the Counterparty has the right to receive a variable amount of cash payment (i.e. based on various ranges of target returns as specified in the contract) from YXT ("Call Option") if the profit to be shared by YXT from the investment portfolio of Up Spacious exceeds 16% per annum of YXT's capital contribution at the expiration of the contract on 4th April 2015 ("Expiry Date"). In the meantime, YXT is entitled to exercise a right to terminate the investment and receive a variable amount of cash payment (limited to HK$6,600,000, representing 33.33% of total capital contribution by YXT in Up Spacious) from the Counterparty ("Put Option") if the profit to be shared by YXT from the investment portfolio of Up Spacious is less than 16% per annum on YXT's capital contribution at the Expiry Date or the net asset value of Up Spacious reduced to HK$20,000,000 (that is 2/3 of the initial capital contribution of the investors) on or before the Expiry Date. No cash consideration was paid by the Group or received from the Counterparty for the above Put Option and Call Option since inception of the contract and up to 31st December 2014.

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

Net gain on change in fair value of the above Put Option and Call Option of approximately HK$300,000 *(2013: approximately HK$421,000)* was recognised in the profit or loss for the year ended 31st December 2014 following the revaluation by Vigers using Binomial Model.

25. FINANCIAL ASSETS/(LIABILITIES) AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Notes: (Continued)

(b) Guaranteed minimum return contract (Continued)

Major inputs to the analysis of the options as at 31st December 2014 are summarised as follows:

Nature of derivatives	Put Option	Call Option
Underlying assets	Net assets value of Up Spacious	Net assets value of Up Spacious
Expected life	0.3 year	0.3 year
Exercisable period	Between the inception date of the contract and the Expiry Date	On the Expiry Date (if Put Option is not exercised)
Expected volatility	75.71%	75.71%
Risk free rate	0.44%	0.44%

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

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

The following table shows the changes in unrecognised Day-one Gain as at 31st December 2014:

	HK$'000
Fair value of contracts not recognised through profit or loss as at 1st January 2014	4,830
Net fair value gain of new contract at inception not recognised in profit or loss	–
Fair value of contracts not recognised through profit or loss as at 31st December 2014	4,830

25. FINANCIAL ASSETS/(LIABILITIES) AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Notes: (Continued)

(c) *Equity investment contract*

On 11th October 2013, the Group entered into a conditional agreement (the "Agreement") with an independent third party purchaser and Gongbujiangda Jiangnan Industrial Development Company Limited ("JI") pursuant to which the Group agreed to dispose of the entire equity interests in Beijing Golden Yuxing Electronics and Technology Company Limited ("Golden Yuxing"), a wholly-owned subsidiary of the Company. At the same time, it was agreed that the Group shall repurchase no more than 41,000,000 but no less than 27,000,000 Ping An Shares at an exercise price of RMB37.29 per share from JI during 90 days after the final payment date of the Agreement (the "Repurchase(s)").

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

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

On 2nd January 2014, being the final payment date of the Agreement, the independent third party purchaser had fully paid the total consideration in connection with the disposal of Golden Yuxing and therefore the Repurchase(s) commenced on 2nd January 2014 and ended on 2nd April 2014 (the "Repurchase Period"). On 2nd April 2014, the Group had completed the Repurchase(s) in accordance with the terms of the Agreement under which the Group had repurchased in aggregate 41,000,000 Ping An Shares at the exercise price of RMB37.29 per share during the Repurchase Period.

The fair value of the Derivative Financial Instruments in connection with the Repurchase(s) were remeasured by Vigers using Binomial Model at each repurchase date during the Repurchase Period and net loss on change in fair value of Derivative Financial Instruments in connection with the Repurchase(s) of approximately HK$261,217,000 was recognised to profit or loss for the year ended 31st December 2014.

Details of the movements of Derivative Financial Instruments in connection with the Repurchase(s) are as follows:

	Assets HK$'000	Liabilities HK$'000	Total HK$'000
As at 1st January 2014	291,047	(25,001)	266,046
Exchange (losses)/gains	(2,532)	217	(2,315)
Change in fair value recognised in profit or loss	(257,419)	(3,798)	(261,217)
Exercised during the year	(31,096)	28,582	(2,514)
As at 31st December 2014	–	–	–

25. FINANCIAL ASSETS/(LIABILITIES) AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Notes: (Continued)

(d) The investments in money market funds are designated as financial assets at fair value through profit or loss on initial recognition because they are managed together and their performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy, and information about the investments are provided internally in that basis to the Board.

26. TRADE AND OTHER PAYABLES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables *(Note (a))*	**93,149**	133,052	**–**	–
Other payables *(Note (b))*	**8,146**	15,347	**5**	4
Accruals	**30,860**	93,722	**879**	55,788
Refundable deposit for disposal of a subsidiary *(Note (c))*	**–**	38,158	**–**	–
	132,155	280,279	**884**	55,792

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

	Group	
	2014	2013
	HK$'000	HK$'000
0-30 days	**23,253**	45,415
31-60 days	**21,851**	36,534
61-90 days	**21,131**	18,446
Over 90 days	**26,914**	32,657
	93,149	133,052

Note (b): Included in other payables was margin facilities with carrying amount of HK$Nil *(2013: approximately HK$1,584,000)* that were granted by a regulated securities broker under which financial assets at fair value through profit or loss of HK$Nil *(2013: approximately HK$3,213,000)* were treated as collateral for the margin facilities granted. In 2013, the facilities bore interest at Hong Kong Prime Rate plus 1% per annum.

Note (c): The amount represented refundable deposit in connection with the disposal of Golden Yuxing as further detailed in the Company's circular dated 31st October 2013. All the deposit was refunded to the purchaser during the year ended 31st December 2014.

27. BANK AND OTHER LOANS

Bank and other loans comprise:

		Group	
	Notes	**2014** **HK$'000**	2013 HK$'000
Current and secured			
Bank loans	(a)	**44,728**	73,284
Other loan	(b)	**127,500**	–
		172,228	73,284
Portion of term loans from banks due for repayment within one year		**1,246**	1,215
Portion of term loans from banks due for repayment after one year		**8,329**	9,576
Term loans with a repayment on demand clause		**9,575**	10,791
		181,803	84,075
Analysis of the amounts due based on scheduled payment dates set out in the loan agreements (ignoring the effect of any repayment on demand clause) is as follows:			
On demand or within one year		**173,474**	74,499
After one but within two years		**1,277**	1,247
After two but within five years		**4,029**	3,930
After five years		**3,023**	4,399
		181,803	84,075

Notes:

(a) As at 31st December 2014, the bank loans carried variable interest rates ranging from 2.45%-5.88% *(2013: 2.45%-5.75%)* per annum. The bank loans are secured by the assets of the Group as set out in note 30.

(b) Other loan represented fixed rate loan from an independent financial institution amounted to HK$127,500,000, which is secured, interest-bearing at 6.5% per annum and maturing on 7th April 2015. The other loan is secured by the assets of the Group as set out in note 30.

Notes to the Consolidated Financial Statements

28. SHARE CAPITAL

	Number of shares		Amount	
	2014	2013	**2014**	2013
	'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	**1,792,117**	1,747,506	**44,803**	43,688
Exercise of share options *(Note)*	**–**	44,611	**–**	1,115
At end of year				
Ordinary shares of HK$0.025 each	**1,792,117**	1,792,117	**44,803**	44,803

Note:

During the year ended 31st December 2013, 44,611,000 ordinary shares of HK$0.025 each were issued at total amount of approximately HK$13,272,000 as a result of the exercise of share options of the Company.

29. RESERVES

Group

	Share premium HK$'000 *(Note (i))*	Shares held for share award scheme HK$'000 *(Note (ii))*	Statutory reserves HK$'000 *(Note (iii))*	Contributed surplus HK$'000 *(Note (iv))*	Share option reserve HK$'000 *(Note (v))*	Investment revaluation reserves HK$'000 *(Note (vi))*	Property revaluation reserves HK$'000 *(Note vii))*	Translation reserves HK$'000 *(Note (viii))*	Other reserves HK$'000 *(Note (ix))*	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000
As at 1st January 2013	41,693	–	20,435	234,621	29,021	1,682,822	–	687,064	–	(393,828)	2,301,828
Profit for the year	–	–	–	–	–	–	–	–	–	2,167,412	2,167,412
Other comprehensive loss:											
Exchange differences arising on translation of PRC subsidiaries	–	–	–	–	–	–	–	71,163	–	–	71,163
Share of other comprehensive loss arising from interest in a joint venture (net of tax)	–	–	–	–	–	(45,993)	–	–	–	–	(45,993)
Release of reserves upon disposal of a subsidiary	–	–	–	–	–	(1,636,829)	–	(678,863)	–	–	(2,315,692)
Total other comprehensive loss	–	–	–	–	–	(1,682,822)	–	(607,700)	–	–	(2,290,522)
Total comprehensive loss for the year	–	–	–	–	–	(1,682,822)	–	(607,700)	–	2,167,412	(123,110)
Release of statutory reserves upon disposal of a subsidiary	–	–	(11,767)	–	–	–	–	–	–	11,767	–
Transactions with owners:											
Contributions and distributions											
Issue of shares under share option scheme	15,572	–	–	–	(3,415)	–	–	–	–	–	12,157
Share options expired	–	–	–	–	(25,606)	–	–	–	–	25,606	–
Interim dividend	–	–	–	–	–	–	–	–	–	(89,606)	(89,606)
Changes in ownership interests											
Change in ownership interest in a subsidiary that does not result in a loss of control	–	–	–	–	–	–	–	–	(1,113)	–	(1,113)
Total transactions with owners	15,572	–	–	–	(29,021)	–	–	–	(1,113)	(64,000)	(78,562)
As at 31st December 2013 and as at 1st January 2014	57,265	–	8,668	234,621	–	–	–	79,364	(1,113)	1,721,351	2,100,156
Profit for the year	–	–	–	–	–	–	–	–	–	31,012	31,012
Other comprehensive income:											
Revaluation of property, plant and equipment upon transfer to investment properties (net of tax)	–	–	–	–	–	–	16,023	–	–	–	16,023
Change in fair value of available-for-sale financial assets	–	–	–	–	–	346,201	–	–	–	–	346,201
Reclassification of net change in fair value of available-for-sale financial assets to profit and loss upon disposal	–	–	–	–	–	(103,251)	–	–	–	–	(103,251)
Exchange differences arising on translation of PRC subsidiaries	–	–	–	–	–	–	–	(971)	–	–	(971)
Total other comprehensive income	–	–	–	–	–	242,950	16,023	(971)	–	–	258,002
Total comprehensive income for the year	–	–	–	–	–	242,950	16,023	(971)	–	31,012	289,014
Transactions with owners:											
Contributions and distributions											
Final dividend in respect of the financial year ended 31st December 2013	–	–	–	–	–	–	–	–	–	(89,606)	(89,606)
Shares purchased for share award scheme	–	(28,459)	–	–	–	–	–	–	–	–	(28,459)
Total transactions with owners	–	(28,459)	–	–	–	–	–	–	–	(89,606)	(118,065)
As at 31st December 2014	**57,265**	**(28,459)**	**8,668**	**234,621**	**–**	**242,950**	**16,023**	**78,393**	**(1,113)**	**1,662,757**	**2,271,105**

29. RESERVES *(Continued)*

Company

	Share premium HK$'000 *(Note (i))*	Contributed Surplus HK$'000 *(Note (iv))*	Share option reserve HK$'000 *(Note (v))*	Retained profits HK$'000	Total HK$'000
As at 1st January 2013	41,693	380,621	29,021	143,295	594,630
Profit for the year	–	–	–	39,294	39,294
Total comprehensive income for the year	–	–	–	39,294	39,294
Transactions with owners:					
Contributions and distributions					
Issue of shares under share option scheme	15,572	–	(3,415)	–	12,157
Share options expired	–	–	(25,606)	25,606	–
Interim dividend	–	–	–	(89,606)	(89,606)
Total transactions with owners	15,572	–	(29,021)	(64,000)	(77,449)
As at 31st December 2013 and as at 1st January 2014	57,265	380,621	–	118,589	556,475
Profit for the year	–	–	–	85,161	85,161
Total comprehensive income for the year	–	–	–	85,161	85,161
Transactions with owners:					
Contributions and distributions					
Final dividend in respect of the financial year ended 31st December 2013	–	–	–	(89,606)	(89,606)
Total transactions with owners	–	–	–	(89,606)	(89,606)
As at 31st December 2014	**57,265**	**380,621**	**–**	**114,144**	**552,030**

29. RESERVES *(Continued)*

Notes:

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) Shares held for Share Award Scheme

Shares held for Share Award Scheme comprised shares purchased and held which will be awarded to selected employees (excluding any director and any chief executive) ("Selected Employees") in accordance with the Share Award Scheme.

During the year, the Share Award Scheme (note 33) acquired 22,296,000 shares (*2013: Nil*) through purchases on the open market. The total amount paid to acquire the shares during the year was approximately HK$28,459,000 (*2013: HK$Nil*). As at 31st December 2014, none of the ordinary shares had been granted to any participants.

(iii) Statutory reserves

Statutory reserves comprise statutory surplus reserves fund of the subsidiaries in the PRC and form part of shareholders' fund. According to the Articles of Association of certain subsidiaries, the subsidiaries are required to transfer 10% of the profit after tax to the statutory surplus reserves fund until the fund balance reaches 50% of the registered capital. The transfer to the funds must be made before distributing dividends to shareholders.

(iv) Contributed surplus

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

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

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

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

(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) Investment revaluation reserves

The investment revaluation reserves comprise the cumulative net changes in the fair value of available-for-sale financial assets.

29. RESERVES *(Continued)*

Notes: (Continued)

Nature and purpose of reserves (Continued)

(vii) Property revaluation reserves

The property revaluation reserves comprise the net changes in fair value arising on the revaluation of properties held for own use upon transfer to investment properties. During the year ended 31st December 2014, a surplus of approximately HK$16,023,000 *(2013: HK$Nil)*, which represents the change in fair value on buildings (net of tax) as at the date of change in use from properties held for own use to investment properties, was credited to property revaluation reserves.

(viii) Translation reserves

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

(ix) Other reserves

The other reserves have been set up and dealt with in accordance with the accounting policies adopted for the changes in ownership interests in subsidiaries that do not result in a loss of control.

As at 31st December 2014, the total contributed surplus and retained profits of approximately HK$494,765,000 *(2013: approximately HK$499,210,000)* is available for distribution to owners of the parent.

30. PLEDGE OF ASSETS

As at 31st December 2014, the Group had pledged the following assets to secure the loan facilities:

(a) Investment properties of the Group with carrying value of approximately HK$117,976,000 *(2013: HK$49,600,000)*;

(b) Prepaid lease payments, buildings and leasehold improvements of the Group with carrying values of approximately HK$13,106,000 *(2013: approximately HK$13,544,000)*, approximately HK$24,420,000 *(2013: approximately HK$66,068,000)* and approximately HK$266,000 *(2013: approximately HK$292,000)* respectively;

(c) The trade receivables from third parties of the Group with carrying value of approximately HK$160,000 *(2013: approximately HK$10,196,000)*;

(d) A leasehold property of the Group with carrying value of approximately HK$2,435,000 *(2013: approximately HK$2,534,000)*;

(e) Bank deposit of the Group with carrying value of approximately HK$380,000 *(2013: approximately HK$1,811,000)*; and

(f) 20% shares of a wholly-owned subsidiary of the Company.

31. OPERATING LEASE COMMITMENTS

(a) The Group as lessee

As at 31st December 2014, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Within one year	**4,397**	2,949
In the second to fifth year inclusive	**2,602**	259
	6,999	3,208

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

(b) The Group as lessor

As at 31st December 2014, the Group had contracted with tenants for the following future minimum lease payments:

	Group	
	2014	2013
	HK$'000	HK$'000
Within one year	**5,765**	4,887
In the second to fifth year inclusive	**7,200**	8,020
Later than fifth year	**2,906**	4,085
	15,871	16,992

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32. SHARE OPTION SCHEME

After the balance sheet date, the Company adopted a share option scheme (the "Scheme") pursuant to the ordinary resolutions passed by the Shareholders at the special general meeting ("SGM") on 14th January 2015 ("Option Adoption Date"). The Scheme is valid for 10 years from the Option Adoption Date and shall expire at the close of business on the day immediately preceding the 10th anniversary thereof unless terminated earlier by Shareholders in general meeting.

The purpose of the Scheme is to enable the Company to grant share options to the selected eligible participants as incentives or rewards for their contribution or potential contribution to the growth and development of the Group.

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

Category A Eligible Participants

(a) any director or proposed director (whether executive or non-executive, including any independent non-executive director), employee or proposed employee (whether full time or part time) of any member of the Group or any substantial shareholder or any company controlled by a substantial shareholder, or

(b) any individual for the time being seconded to work for any member of the Group or any substantial shareholder or any company controlled by a substantial shareholder.

Category B Eligible Participants

Any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group and shall include any company controlled by one or more persons belonging to any of the above classes of participants.

The total number of shares which may be issued upon the exercise of all share options to be granted under the Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the total issued share capital of the Company on the Option Adoption Date (the "Scheme Mandate") unless the Company obtains a fresh approval from the Shareholders to renew the 10% limit on the basis that the maximum number of shares in respect of which share options may be granted under Scheme together with any share options outstanding and yet to be exercised under the Scheme and any other share option schemes shall not exceed 30% of the issued share capital of the Company from time to time. At the SGM which was held on 14th January 2015, the Scheme Mandate was approved by the Shareholders and the total number of shares that may fall to be allotted and issued under the Scheme would be 179,211,680 shares, representing 10% of the total number of shares in issue as at the date of approval of the Scheme Mandate at the SGM.

32. SHARE OPTION SCHEME *(Continued)*

The maximum number of shares issued and to be issued upon the exercise of the share options granted under the Scheme and any other share option schemes of the Company to any eligible participant (including cancelled, exercised and outstanding share options), in any 12-month period up to the date of grant shall not exceed 1% of the number of shares in issue, without prior approval from the Shareholders. Any grant of a share option to a Director, chief executive of the Company or substantial shareholder (or any of their respective associates) must be approved by the 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) will result in the total number of shares issued and to be issued upon the exercise of the share options already granted and to be granted to such person under the Scheme and any other share option schemes of the Company (including share options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant: (i) representing in aggregate over 0.1% of the shares in issue; and (ii) having an aggregate value, based on the closing price of the shares at each date of grant, in excess of HK$5,000,000, such further grant of share options is required to be approved by the Shareholders in general meeting.

An offer for the grant of share options must be accepted within 30 days inclusive of the day on which such offer was made. The amount payable by the grantee of a share option to the Company on acceptance of the offer for the grant of a share option is HK$1.0. A share option may be exercised in accordance with the terms of the Scheme at any time during a period commencing on such date on or after the date on which the share option is granted as the Board may determine in granting the share options and expiring at the close of business on such date as the Board may determine in granting the share options but in any event shall not exceed ten years from the date of grant (which is the date of offer of grant if the offer for the grant of the share options is accepted). The exercise price of the share option is to be determined by the Board provided always that it shall be at least the higher of: (i) the closing price of the Shares on the date of offer of grant; and (ii) the average closing price of the Shares for the five business days immediately preceding the date of offer of grant, provided that the option price per share shall in no event be less than the nominal amount of the Shares.

On 16th January 2015, the Company offered to grant 186 eligible participants to subscribe for a total of 107,527,008 ordinary shares of HK$0.025 each in the capital of the Company at an exercise price HK$2.2 per share. These share options are exercisable up to 5 years from the date of grant.

33. SHARE AWARD SCHEME

Pursuant to a resolution of the Board meeting dated 6th October 2014 (the "Adoption Date of Share Award Scheme"), the Board approved the adoption of Share Award Scheme under which the Shares may be awarded to Selected Employees in accordance with its provisions. The purpose of the Share Award Scheme is to recognise and reward the contribution of certain employees to the business growth and development of the Group through an award of Shares. The Share Award Scheme will remain in force for a period of 3 years commencing on the Adoption Date of Share Award Scheme. The vesting period and vesting condition of the awarded shares are determined by the Board upon the grant of the awarded shares.

A trust has been set up and fully funded by the Company for the purpose of purchasing, administrating and holding the Company's shares for the Share Award Scheme. The total number of shares which may be granted to the Selected Employees under the Share Award Scheme shall not exceed 3% of the total issued share capital of the Company from time to time.

33. SHARE AWARD SCHEME *(Continued)*

Movement in the number of shares held under the Share Award Scheme is as follows:

	Number of shares held for Share Award Scheme '000	Amount HK$'000
As at 1st January 2014	–	–
Purchase during the year	22,296	28,459
As at 31st December 2014	**22,296**	**28,459**

During the year ended 31st December 2014, the Company did not grant any share held for the Share Award Scheme to any Selected Employees of the Group.

34. RETIREMENT BENEFITS SCHEME

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

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

The total cost charged to profit or loss of approximately HK$5,371,000 *(2013: approximately HK$6,614,000)* 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 the Directors and other members of key management during the year are as follows:

	2014 HK$'000	2013 HK$'000
Salaries	**5,442**	59,155
Housing allowances	**222**	222
Retirement benefits scheme contributions	**421**	702
	6,085	60,079

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36. FINANCIAL GUARANTEE ISSUED

Reference is made to the announcement of the Company dated 27th October 2014. On 24th October 2014, the Company was informed by Guangdong Jianlibao Group Company Limited ("JLB Group") that Golden Yuxing had made its final payment of RMB150 million (equivalent to approximately HK$190.1 million) as the remaining settlement fee under the final settlement agreement. Therefore, the Company's obligation under the guarantee issued to Golden Yuxing in favour of JLB Group in respect of the payment obligations of Golden Yuxing under the final settlement agreement has been ceased.

As at 31st December 2014, the maximum liability of the Company under the financial guarantee arrangement relating to a short-term loan granted by a financial institution to one of its subsidiary amounted to HK$127,500,000 *(2013: HK$Nil)*.

37. EVENTS AFTER THE REPORTING PERIOD

Issue of convertible bonds

On 30th January 2015 (the "Bond Issue Date"), the Company issued convertible bonds in the principal amount of approximately HK$466,000,000 (the "Convertible Bonds"). The Convertible Bonds pay interest at the rate of 6% per annum. Such interest accrued at the outstanding principal amount of the Convertible Bonds shall only be payable by the Company to the bondholder within three business days after the bond maturity date on 30th January 2016 (the "Bond Maturity Date") if the Convertible Bonds are neither converted during the conversion period nor redeemed prior to the Bond Maturity Date.

The Convertible Bonds can be converted into ordinary shares at a conversion price of HK$1.3 per share (subject to adjustments) for the maximum number of 358,423,360 conversion shares. The conversion period commencing from the 91st day after the Bond Issue Date and ending on the Bond Maturity Date (the "Conversion Period").

The use of proceeds from the issue of the Convertible Bonds is to fund the Group's business development and possible strategic acquisitions and to replenish the general working capital of the Group.

Redemption at maturity

Unless previously redeemed, converted or purchased and cancelled, the Company shall redeem each Convertible Bond outstanding at a value equal to the aggregate principal amount with accrued interest on or before 3rd business day after the Bond Maturity Date in cash.

Early redemption at the option of the Company and the Bondholder

The Company and the bondholder have the right to redeem the Convertible Bond early. During the Conversion Period, both parties may give at least 15th business days' advance notice to redeem all or part of the aggregate principal amount of the Convertible Bond. Upon receiving the notice of early redemption by the party who wishes to redeem ("Redeeming Party"), the other party shall enter into discussion with the Redeeming Party and confirm in writing the redemption date and the redemption amount. Unless otherwise confirmed by both parties, the redemption date shall be the 15th business day after the serving of the notice of early redemption.

Details of the Convertible Bonds can be referred to the announcement of the Company dated 23rd December 2014.

37. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

Gains allocation

On 29th October 2014, the Group entered into a conditional equity transfer agreement (the "Conditional Agreement") with an independent third party (the "Transferor"), to acquire approximately 1% of the equity interest in a target company (the "Target Company") at a consideration of approximately RMB18,600,000 (equivalent to approximately HK$23,600,000) (the "Consideration").

On 19th December 2014, the Group entered into an equity transfer agreement (the "Transfer Agreement") with another independent third party (the "Transferee"), pursuant to which the Group transferred approximately 1% of the equity interest in the Target Company to the Transferee at a consideration of approximately RMB37,600,000 (equivalent to approximately HK$47,700,000) (the "Disposal Proceed"). The Transfer Agreement was executed and the related Disposal Proceed was included in other receivables as disclosed in note 24.

As at 31st December 2014, a listed company in the PRC (the "Listed Company") was planning to acquire a very substantial equity interest in the Target Company by way of share exchange. If the transaction realises, the shares of the Target Company will be exchanged to the shares of the Listed Company. Therefore, on 5th January 2015, the Group entered into another agreement (the "Supplemental Agreement") with the Transferee, to add the following two conditions: (1) if the Target Company becomes a public company, the Transferee will hold the shares of the Listed Company, and gains resulted from disposing the shares of the Listed Company (after deducting the Disposal Proceed) will be allocated to the Group as to 60% and the Transferee as to 40% (the "Gains Allocation"); or (2) if the Target Company fails to go public, the Group will repurchase the whole or part of the shares of the Target Company held by the Transferee, and the repurchase price will be determined on the basis of the Disposal Proceed and with reference to the ratio of the shares repurchased.

A supplemental agreement to the Conditional Agreement signed between the Group and the Target Company and management shareholders of the Target Company on 20th November 2014 was resumed based on the above condition (2), pursuant to which (1) if the Target Company fails to go public within 12 months from the date on which the Group settled the Consideration to the designated account of the Transferor; or (2) if the profit after tax of the Target Company fails to achieve 70% of the then committed net profit in any year during the three years ending 31st December 2015, 31st December 2016 and 31st December 2017, the Group may choose to require the management shareholders of the Target Company to repurchase the whole or part of the shares of the Target Company in cash at a repurchase price determined on the basis of the Consideration plus interest (calculated at an interest rate of 10% per annum) and with reference to the ratio of the shares repurchased (the "Conditional Repurchase"). The different conditions adopted to initiate repurchase will have no effect on the repurchase price.

The share exchange transaction of the Target Company and the Listed Company may or may not be completed, and it is impractical to reliably estimate the net profit of the Target Company in the following three years. As a result, the Gains Allocation or the Conditional Repurchase may or may not be completed. Since there are too many variables, the Directors are unable to make a reliable estimation on the fair value of the options to be derived from the Gains Allocation and the Conditional Repurchase. However, they are of the view that adequate disclosures have been made above.

38. COMPARATIVE FIGURES

Certain comparative figures in the consolidated cash flow statement have been reclassified to conform to current year's presentation as follows:

(a) Increase in financial assets at fair value through profit or loss has been reclassified from investing activities to operating activities; and

(b) Paid settlement fee has been reclassified from investing activities to operating activities.

The Directors consider that the about reclassification enables the consolidated cash flow statement to be presented in a manner which is most appropriate to the Group's business.

39. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31st December 2014 are as follows:

Name of subsidiary	Principal place of business and place of incorporation/ kind of legal entity	Principal activities/ place of operation	Particulars of issued share capital/ registered capital	Interest held
Direct subsidiaries:				
Yuxing Group (International) Limited	BVI/limited liability company	Investment holding/the PRC and Hong Kong ("HK")	2,000 ordinary shares of US$1 each	100%
HyBroad Vision Holdings Limited	HK/limited liability company	Investment holding/HK	1 ordinary share of HK$1	100%
Golden Rich Asia Investment Limited	HK/limited liability company	Investment holding/HK	1 ordinary share of HK$1	100%
Rich Universe International Limited	HK/limited liability company	Investment/HK	100 ordinary shares of HK$1	100%
Billion State Limited	BVI/limited liability company	Trustee/HK	100 ordinary shares of US$1 each	100%
Indirect subsidiaries:				
Beijing Yuxing Software Company Limited	The PRC/foreign wholly owned enterprise	Research and development ("R&D") and software design/the PRC	RMB10,610,850	100%

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39. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Principal place of business and place of incorporation/ kind of legal entity	Principal activities/ place of operation	Particulars of issued share capital/ registered capital	Interest held
Sheng Bang Qiang Dian Electronics (Zhongshan) Company Limited	The PRC/foreign wholly owned enterprise	Manufacturing and sales of electronic components, plastic and miscellaneous products/the PRC	RMB123,000,000	100%
Yield Lasting Investments Limited	BVI/limited liability company	Property holding/HK	1 ordinary share of US$1	100%
YXT	HK/limited liability company	Trading and distribution of information home appliances and electronic components and investment holding/HK	2 ordinary shares of HK$1 each	100%
Guangdong HyBroad Vision Electronics Technology Company Limited	The PRC/domestic equity joint venture	Manufacturing, distribution and sales of information home appliances and R&D and software design/the PRC	RMB50,000,000	100%
HyBroad Vision (HK) Technology Company Limited	HK/limited liability company	Trading and distribution of information home appliances and electronic components/HK	10,000,000 ordinary shares of HK$1 each	100%
Beijing E'rich Investment Management Co., Ltd	The PRC/domestic wholly owned enterprise	Investment consultancy/the PRC	RMB8,000,000	100%
Lasaruida Investment Consultation Management Company Limited*	The PRC/domestic wholly owned enterprise	Investment consultancy/the PRC	RMB10,000,000	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.