ANNUAL REPORT **2010**

CHINA DATA BROADCASTING HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 8016

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

The GEM positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock 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 Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors of China Data Broadcasting Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock 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: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

CONTENTS

Corporate Information	3
Chairman's Statement	5
Biographical Details in Respect of Directors and Senior Management	8
Corporate Governance Report	10
Report of the Directors	14
Independent Auditor's Report	22
Consolidated Statement of Comprehensive Income	24
Consolidated Statement of Financial Position	25
Consolidated Statement of Changes in Equity	26
Consolidated Statement of Cash Flow	27
Notes to the Consolidated Financial Statements	28

CORPORATE INFORMATION

Registered office	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Head office and principal place of business	Unit 3701, 37/F, West Tower, Shun Tak Centre 168-200 Connaught Road Central Hong Kong
Bermuda principal share registrar and transfer office	HSBC Securities Services (Bermuda) Limited Bank of Bermuda Building 6 Front Street Hamilton HM 11 Bermuda
Hong Kong branch share registrar and transfer office	Hong Kong Registrars Limited 1712-1716, Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited China Insurance Group Building 141 Des Voeux Road Central, Sheung Wan Hong Kong Fubon Bank (Hong Kong) Limited Fubon Bank Building 38 Des Voeux Road Central Hong Kong
Stock exchange	Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
Stock code	8016
Website	www.cdb-holdings.com.hk
E-mail address	LEE@cdb-holdings.com.hk

CORPORATE INFORMATION

Board of Directors	
Executive Directors	Mr. YU Xiao Mr. TANG Yun Mr. David JI Long Fen Mr. WU Xiang Tao Mr. XIANG Chao Yang Mr. WANG Zhen Hua Ms. SHI Ping
Independent Non-executive Directors	Mr. Jonathan CHAN Ming Sun Mr. Robert IP Chun Chung Mr. SUN Dong Feng
Authorised representatives	Mr. TANG Yun Mr. LEE Wing Lun CPA (HKICPA & CPA Aust.), ACIS & ACS
Compliance officer	Mr. TANG Yun
Qualified accountant	Mr. LEE Wing Lun CPA (HKICPA & CPA Aust.), ACIS & ACS
Company secretary	Mr. LEE Wing Lun CPA (HKICPA & CPA Aust.), ACIS & ACS
Bermuda resident representative	Mr. John Charles Ross COLLIS
Bermuda deputy resident representative	Mr. Anthony Devon WHALEY
Audit Committee	Mr. Jonathan CHAN Ming Sun Mr. Robert IP Chun Chung Mr. SUN Dong Feng
Remuneration Committee	Mr. YU Xiao Mr. Robert IP Chun Chung Mr. SUN Dong Feng
Nomination Committee	Mr. YU Xiao Mr. Jonathan CHAN Ming Sun Mr. SUN Dong Feng
Auditor	SHINEWING (HK) CPA Limited 43/F, The Lee Gardens 33 Hysan Avenue, Causeway Bay Hong Kong

CHAIRMAN'S STATEMENT

FINANCIAL SUMMARY

- Revenue for the year ended 31 December 2010 was slightly higher than the previous year, reaching approximately HK$2,614.18 million.

- A net profit of approximately HK$17.20 million for the year ended 31 December 2010 was generated from business.

BUSINESS REVIEW

During the year, the Company and its subsidiaries (collectively the "Group") engaged in trading business in the consumer electronic industry (the "Trading Business"). The Group has accomplished an improved operating revenue of approximately HK$2,614.18 million and a net profit of approximately HK$17.20 million for the year ended 31 December 2010. The Group's revenue for 2010 was slightly higher than the previous year.

As at 31 December 2010, the Group's gross margin was approximately 1.57% which decreased 35.39% as compared with 2009. This was due to the fierce competition in the market.

The Company raised a legal suit on 17 October 2008 at Shanghai in People's Republic of China ("PRC") against Apex Digital (Shanghai) Co., Limited (a subsidiary of former substantial shareholder, Apex Digital Inc. ("Apex Digital")) for the collection of the repayment of approximately HK$6,640,000 which happened by the end of year 2006 and had been provided in the accounts of the year 2007. On 17 April 2009, the suit had been trailed by the court ordering Apex Digital (Shanghai) Co., Limited repay the said amount. Up to the date of this report, no actual progress has been made in the collection of the repayment.

In addition, after continuingly efforts by the Company, the service deposit of approximately HK$2,496,000 owed by Ms. Fei Liqiong (an American) has been partially set off in November 2010.

CHAIRMAN'S STATEMENT

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial and liquidity positions are healthy and stable. As at 31 December 2010, the aggregate outstanding borrowings with related companies of the Group were approximately HK$287.27 million which were unsecured and interested bearing (2009: HK$267.26 million). Such fluctuation was within the normal pattern of operations of the Group. The Group's cash and bank balances amounted to approximately HK$46.54 million, together with trading receivables amounted to approximately HK$58.55 million. The Group's net current assets approximate to HK$30.87 million and the Group does not have any charges on its assets. The management is confident that with some proper arrangements for fund, the Group's financial resources are sufficient to finance the daily operation.

The Group's monetary assets and liabilities and transactions are principally denominated in Hong Kong dollars and United States dollars. As the exchange rate between Hong Kong dollars and United States dollars is pegged, the Group believes its exposure to exchange risk is minimal.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2010, the total number of the Group's staff was 19. The total staff costs (including directors) amounted to approximately HK$7.88 million for the year under review. The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group provides retirement benefit for its employees in Hong Kong in form of mandatory provident fund.

The Group established a Share Options Scheme to reward its employees for their individual performance. As at 31 December 2010, there were no outstanding share options. During the year under review, no share option had been granted nor exercised. The Share Options Scheme has expired on 10 January 2010.

The Group did not experience any significant labour disputes or substantial change in the number of its employees that led to any disruption of normal business operations. The Directors consider the Group's relationship with its employees to be good.

CHAIRMAN'S STATEMENT

CAPITAL STRUCTURE

The Group manages its capital structure to ensure optimal capital structure and shareholder returns, using the capital to promote the brand name products as ultimately increasing the market share in consumer industry. Further capital may be used to increase its horizon.

Capital of the Group comprises all components of equity, cash and bank balances and loan from a related company.

The loan from a related company is used to support the daily operation.

SIGNIFICANT INVESTMENTS

As at 31 December 2010, the Group did not have any significant investment.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCE OF FUNDING

The Group continued to consolidate its existing businesses while exploring new business opportunities that would enhance its existing businesses. As at 31 December 2010, the Group was considering various investment projects and options but had not made any decision for its pursuing.

CONTINGENT LIABILITIES

As at 31 December 2010, the Group did not have any material contingent liabilities.

OUTLOOK

As the Company has established stable clientele bases of supplier and customers, and the global economy is recovering. The Company is confident that the Trading Business in the consumer electronic industry will build up a steady and considerable income stream of the Group. The management will put more efforts to explore further business opportunities in the consumer electronic industry, such as trading of finished goods/parts and components of televisions, set top boxes, fridges, notebooks and other products. The Board believes that the business will keep on the track and will continue to improve in the near future.

YU Xiao
Chairman

11 March 2011

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. YU Xiao, aged 42, is the chairman of the Company. He is responsible for overseeing the strategies and directions of the Group. He holds a Bachelor Degree in National Economic Management from Sichuan University in the PRC and has more than 20 years of experience in financial and economic management.

Mr. TANG Yun, aged 45, is the managing director of the Company. He is responsible for the formulation of corporate strategy and business direction of the Group. He obtained a Master Degree in Applied Physics from University of Electronic Science and Technology of China in the PRC and has more than 21 years of experience in engineering and marketing.

Mr. WU Xiangtao, aged 37, is responsible for import and export activities of the Group in PRC and Asia. He holds a Master Degree in Business Administration from Southwestern University of Finance and Economics and a Bachelor Degree in International Trade and Economics from Shandong University in the PRC and has more than 14 years of experience in import and export activities.

Mr. XIANG Chao Yang, aged 53, is responsible for the PRC legal matters of the Company. He obtained a Master Degree in Criminal Law of China from Sichuan University and a Bachelor Degree of Law from Southwest University of Political Science and Law in the PRC. He has more than 22 years of experience in law.

Mr. David JI Long Fen, aged 58, is responsible for the import and export activities of the Group in United States of America ("USA"). He graduated from the Department of Foreign Languages of Fudan University in Shanghai, the PRC and holds a Master Degree in Business Administration from Pacific States University in USA. He has more than 19 years of experience in the consumer electronics industry in USA, including sourcing and wholesale operations. In December 2002, Mr. Ji was elected by TIME Magazine and CNN from more than 100 nominees of young executives as one of 15 Global Influentials for the year 2002.

Mr. WANG Zhenhua, aged 58, is responsible for sourcing of supplier and technical support of the Group. He obtained a Master Degree in Business Administration from Tianjin University in the PRC and has more than 34 years experience in industrial and foreign trade enterprises.

Ms. SHI Ping, aged 48, is responsible for the investment and business merger of the Group. She obtained a Master Degree in Managerial Economics from Nanyang Technology University in Singapore, a Master Degree in Industrial Management Engineering from Chengdu University of Science and Technology and a Bachelor Degree in Chemical Engineering from Hunan University in the PRC and has more than 25 years experience in economics and engineering management.

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Jonathan CHAN Ming Sun, aged 39, is the chairman of the Audit Committee and is responsible for reviewing the internal control system. Mr. Chan is an Associate Director of Go-To-Asia Investment Limited and an independent non-executive director of Sino Katalytics Investment Corporation. He obtained his Bachelor Degree of Commerce in Accounting and Computer Information System from University of New South Wales, Australia. He is also a member of Hong Kong Institute of Certified Public Accountants and Certified Public Accountants, Australia. He has over 12 years of experience in investment and corporate finance.

Mr. Robert IP Chun Chung, aged 54, is the member of the Audit Committee and is responsible for reviewing the internal control system. Mr. Ip is a practising solicitor in Hong Kong and is a non-executive director of Poly (Hong Kong) Investment Limited. He obtained the Bachelor Degree in Arts from University of Hong Kong and held a CPE Diploma and Diploma in Law from the College of Law, United Kingdom. He is also a member of the Law Society of Hong Kong and the Law Society of England and Wales. He has over 29 years of experience in legal aspects.

Mr. SUN Dongfeng, aged 43, is the member of the Audit Committee and is responsible for reviewing the internal control system. Mr Sun is a senior partner of Guantao Law Firm as well as a legal advisor for a numbers of companies. He graduated from China University of Political Science and Law, and obtained a Master Degree of Law in International Economics from the School of Law of University of Canberra, Australia. He has over 14 years of experience in legal aspects.

SENIOR MANAGEMENT

Mr. LEE Wing Lun, aged 52, is the financial controller and company secretary of the Group and is responsible for the financial and accounting management and secretarial affairs of the Group. Also Mr. Lee is an independent non-executive director of Vinco Financial Group Limited. He graduated from Australian National University with a Bachelor Degree in Commerce and obtained a Master Degree of Corporate Governance and Postgraduate Diploma in Corporate Administration from Polytechnic University of Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants, the CPA Australia, the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. He has over 16 years of working experience in auditing, accounting and finance matters including over 6 years in several audit firms and has been the financial controller of a trading group.

CORPORATE GOVERNANCE REPORT

The board of directors (the "Board") considers that maintaining high standard of corporate governance and business ethics will serve the long term interest of the Company and of its shareholders. The principles adopted by the Board emphasise a quality board, sound internal control, accountability to shareholders and thus an ethical corporate culture established.

Pursuant to the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 15 to the GEM Listing Rules which sets out corporate governance principles (the "Principles") and code provisions (the Code Provisions), the Company has applied most of the Code Provisions as far as possible and practicable. An explanation for any deviation is adhered.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has complied with the requirements of director's securities transaction stated in the GEM Listing Rules. All the directors of the Company have confirmed that they have complied with the requirements as set out in the GEM Listing Rules for the year ended 31 December 2010.

BOARD OF DIRECTORS AND BOARD MEETING

The Board comprises of 10 members and their positions are as follows:

Executive Directors

Mr. YU Xiao
Mr. TANG Yun
Ms. SHI Ping
Mr. David JI Long Fen
Mr. XIANG Chao Yang
Mr. WANG Zhenhua
Mr. WU Xiangtao

Independent Non-Executive Directors

Mr. Jonathan CHAN Ming Sun
Mr. Robert IP Chun Chung
Mr. SUN Dongfeng

Profiles of Directors are set out on pages 8 to 9 of this annual report for the year ended 31 December 2010.

The directors, with relevant and sufficient experience and qualifications, have exercised due care, fiduciary duties to the significant issues of the Group. The directors have no relation to each other and all directors have no business relation with the Group.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2010, details of the attendance of the directors at the respective meetings were as follows:

Name of Directors	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting
Executive Director				
Mr. David JI Long Fen	0/6	N/A	N/A	N/A
Mr. YU Xiao	4/6	N/A	N/A	2/2
Mr. TANG Yun	6/6	2/5	N/A	N/A
Mr. XIANG Chao Yang	1/6	N/A	N/A	N/A
Mr. WANG Zhenhua	3/6	N/A	N/A	N/A
Ms. SHI Ping	4/6	N/A	N/A	N/A
Mr. WU Xiangtao	4/6	N/A	N/A	N/A
Independent Non-Executive Director				
Mr. Jonathan CHAN Ming Sun	4/6	5/5	N/A	N/A
Mr. Robert IP Chun Chung	2/6	4/5	N/A	1/2
Mr. SUN Dongfeng	3/6	5/5	N/A	2/2

The Board also approved matters by resolution writing. Information of material issues, due notice of meeting and minutes of each directors' meeting have been sent to each of the directors for their information, comment and review.

During the meeting, the Board discussed and formulated the overall strategies of the Group, reviewed and monitored the business and financial performances. The quarterly, half-yearly and annual results and other significant matters were also discussed and decided.

The management is responsible for the daily operations of the Group. For significant matters that are specifically delegated by the Board, the management must report back to and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group.

CHAIRMAN AND MANAGING DIRECTOR

The Code Provision A.2.1 stipulates that the roles of Chairman and Managing Director should be separated and should not be performed by the same individual.

During the year, Mr. YU Xiao was appointed as chairman and Mr. TANG Yun was appointed as managing director. Despite the aforesaid, the Board will review such arrangement from time to time.

CORPORATE GOVERNANCE REPORT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive directors is appointed to a twelve month auto-renewable service agreement with a fixed amount per annum. None of each has served the Group for more than nine years.

All independent non-executive directors have confirmed their independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers they are independent.

REMUNERATION COMMITTEE

The remuneration committee currently comprises two independent non-executive directors and one executive director. It is chaired by an executive director.

During the year, the Committee held two meetings and the details of attendance was set out on page 11 of the report.

AUDITOR'S REMUNERATION

The remuneration of the audit service rendered by the auditor of the Group was mutually agreed in view of the scope of services in the total amount of HK$850,000. The auditor and its affiliates also provided non-audit service of issuing of confirmation letter on continuing connected transaction to the Company which amounted to HK$40,000 during the period.

AUDIT COMMITTEE

The audit committee currently comprises three independent non-executive directors. At the discretion of the Committee, executive directors and/or senior management personnel, overseeing the Group's finance and internal control functions, may be invited to attend meeting.

During the year, the Committee held five meetings and the details of attendance was set out on page 11 of the report. The annual results for the year ended 31 December 2010 was reviewed by the Committee.

NOMINATION COMMITTEE

The nomination committee currently comprises two independent non-executive directors and one executive director. It is chaired by an executive director.

During the year, the Committee did not hold any meeting.

CORPORATE GOVERNANCE REPORT

PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The directors acknowledge their responsibility for the preparation of consolidated financial statements of the Group for the year ended 31 December 2010.

INTERNAL CONTROL

The Board has overall responsibilities for the establishment of, maintaining an adequate and effective internal control system and for reviewing its effectiveness to safeguard the Company's assets against unauthorized use or disposition, and to protect the interest of shareholders of the Company.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The Group's profit for the year ended 31 December 2010 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 24 to 64.

The board do not recommend the payment of any dividend in respect of the year (2009: Nil).

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and the assets and liabilities of the Group is as follows:

REPORT OF THE DIRECTORS

Results

	Year ended 31 December				
	2010	2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**2,614,184**	2,575,279	1,324,975	320,949	22,928
Cost of sales	**(2,573,094)**	(2,512,715)	(1,297,743)	(315,952)	(28,496)
Gross profit/(loss)	**41,090**	62,564	27,232	4,997	(5,568)
Other income	**1,945**	226	8,378	184	22,426
Distribution and selling expenses	**(7,356)**	(6,808)	(2,792)	(272)	(1,087)
Administrative expenses	**(10,607)**	(12,864)	(9,837)	(8,252)	(6,256)
Other operating expenses	**–**	–	–	–	(25,385)
Profit/(Loss) from operations	**25,072**	43,118	22,981	(3,343)	(15,870)
Finance cost	**(4,697)**	(17,248)	(15,279)	(61)	(251)
Profit/(Loss) before Tax	**20,375**	25,870	7,702	(3,404)	(16,121)
Tax	**(3,174)**	(4,403)	(2,000)	(492)	(74)
Profit/(Loss) for the year	**17,201**	21,467	5,702	(3,896)	(16,195)
Attributable to:					
Equity holders of the Company	**17,201**	21,467	5,702	(3,896)	(16,195)

Assets and Liabilities

	31 December				
	2010	2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total Assets	**566,370**	803,376	951,885	104,897	1,605
Total Liabilities	**(535,105)**	(789,312)	(959,288)	(118,002)	(10,814)
Total Equity	**31,265**	14,064	(7,403)	(13,105)	(9,209)

REPORT OF THE DIRECTORS

FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons thereof, are set out in notes 30 and 31 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the bye-laws of the Company or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in the Consolidated Statement of Changes in Equity.

DISTRIBUTABLE RESERVES

At 31 December 2010, the Company did not have any reserves available for distribution, other than the Company's share premium account, in the amount of approximately HK$28.54 million, which may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 56.18% of the total sales for the year and sales to the largest customer included therein amounted to approximately 23.63%. Purchases from the Group's five largest suppliers accounted for approximately 67.28% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 32.52%.

Whereas four customers and one supplier were subsidiaries of Sichuan Changhong Electric Co., Limited (a substantial shareholder, "Changhong"), the sales and purchase accounted for approximately 32.54% and 17.88% of the total sales and purchase respectively for the year. Also Changhong was one of the largest customer and supplier which accounted for approximately 23.63% and 32.52% of the total sales and purchases respectively.

REPORT OF THE DIRECTORS

Save as aforesaid, none of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr. YU Xiao
Ms. SHI Ping
Mr. David JI Long Fen
Mr. TANG Yun
Mr. WU Xiangtao
Mr. XIANG Chao Yang
Mr. WANG Zhenhua

Independent non-executive directors:

Mr. Jonathan CHAN Ming Sun
Mr. Robert IP Chun Chung
Mr. SUN Dongfeng

In accordance with clause 86 of the Company's bye-laws, Mr. David JI Long Fen, Mr. TANG Yun and Ms. SHI Ping will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on page 8 to 9 of the annual report.

DIRECTORS' SERVICE CONTRACTS

All directors (including directors proposed for re-election at the forthcoming annual general meeting) have a yearly service contract with the Company.

Save as aforesaid, none of the directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries was a party during the year.

INTERESTS OF THE DIRECTORS IN THE COMPANY

As at 31 December 2010, the interests and short positions of the Directors in the ordinary Shares of the Company (the "Shares"), underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Long positions in Shares

Name of Director	Number of Shares	Capacity	Type of Interest	Approximate percentage of interest
Mr. David Ji Long Fen ("Mr. Ji")	44,520,000	Beneficial owner	Personal	14.00

Save as disclosed above, as at 31 December 2010, none of the Directors had interests in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate. No options have been granted to the directors up to the date of this report.

INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS IN THE COMPANY

As at 31 December 2010, the persons or companies (not being a Director or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

Long positions in Shares

Name of substantial shareholder	Capacity	Number of Shares	Approximate percentage of interest %
Changhong	Directly beneficially owned	95,368,000	29.99
Sichuan Investment Management Company Limited	Directly beneficially owned	83,009,340	26.10
Mr. Ji	Directly beneficially owned	44,520,000	14.00
Ms. Liu Ru Ying *(note (a))*	Through spouse	44,520,000	14.00

Note

(a) Ms. Liu Ru Ying is the spouse of Mr. Ji and, under Section 316 of the SFO, is therefore deemed to be interested in all 44,520,000 shares in which Mr. Ji is interested.

Save as disclosed above, the Directors were not aware of any other person who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 5% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

COMPETING INTEREST

Apex Digital is wholly owned by Mr. Ji from 10 April 2006. Apex Digital is principally engaged in the wholesaling business of consumer home electronics items under the name of "APEX Digital".

Changhong is a substantial shareholder of the Company which incorporated in the PRC and is listed in PRC Stock Exchange. Changhong is principally engaged in the wholesaling business of consumer home electronics items under the name of "Changhong".

Save as disclosed above, none of the directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete with the business of the Group during the period.

CONTINUING CONNECTED TRANSACTIONS

During the year 2010, the following continuing connected transactions were carried out by the Group.

(a) Master Supply Agreement

On 20 November 2009, the Company entered into framework agreement ("Master Supply Agreement") with Changhong in relation to the supply of electronic products and components to Changhong and its subsidiaries. For the year ended 31 December 2010, the transactions amount under the Master Supply Agreement is subject to a cap of HK$2,090.00 million (2009: HK$2,184.00 million). The transactions under the Master Supply Agreement are subject to reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

For the year ended 31 December 2010, the sale made under the Master Supply Agreement amounted to HK$1,553.59 million (2009: HK$1,776.68 million) in total. The Master Supply Agreement will be expired on 31 December 2012.

(b) Master Purchase Agreement

On 20 November 2009, the Company entered into framework agreement ("Master Purchase Agreement") with Changhong in relation to the purchase of consumer electronic products from Changhong and its subsidiaries. For the year ended 31 December 2010, the transactions amount under the Master Purchase Agreement is subject to a cap of HK$1,375.00 million (2009: HK$1,250.00 million). The transactions under the Master Purchase Agreement are subject to reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

For the year ended 31 December 2010, the purchase made under the Master Purchase Agreement amounted to HK$1,323.06 million (2008: HK$1,160.05 million) in total. The Master Purchase Agreement will be expired on 31 December 2012.

REPORT OF THE DIRECTORS

Confirmation of Independent Non-executive Directors

The Company's independent non-executive directors have reviewed the above continuing connected transactions and confirmed that these transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on terms no less favorable to the Group than terms available to or from (as appropriate) independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Confirmation from Auditor of the Company

The Board has received a confirmation from the auditor of the Company with respect to the above continuing connected transactions and the letter stated that for the year 2010, the above continuing connected transactions:

(i) have been approved by the Board;

(ii) have been entered into in accordance with the terms of the agreement governing the transactions; and

(iii) have not exceeded the cap amount announced by the Company.

COMPLIANCE WITH CODE OF BEST PRACTICE

To the best knowledge of the Board, the Company had complied with the Code of Best Practice as set out in Appendix 15 of the GEM Listing Rules.

AUDITOR

The financial statements of the Group for the year ended 31 December 2010 were audited by Messrs. SHINEWING (HK) CPA Limited who shall retire and, being eligible, offer themselves for re-appointment.

For and on behalf of the Board

YU Xiao
Chairman

Hong Kong
11 March 2011

INDEPENDENT AUDITOR'S REPORT

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE SHAREHOLDERS OF CHINA DATA BROADCASTING HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Data Broadcasting Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 3 to 41, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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 the 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 Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

INDEPENDENT AUDITOR'S REPORT

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, 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.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2010 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.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Pang Wai Hang
Practising Certificate Number: P05044

Hong Kong
11 March 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	NOTES	**2010** ***HK$'000***	2009 *HK$'000*
Turnover	*7*	**2,614,184**	2,575,279
Cost of sales		**(2,573,094)**	(2,512,715)
Gross profit		**41,090**	62,564
Other income	*8*	**1,945**	226
Distribution and selling expenses		**(7,356)**	(6,808)
Administrative expenses		**(10,607)**	(12,864)
Finance costs	*10*	**(4,697)**	(17,248)
Profit before tax		**20,375**	25,870
Income tax expenses	*12*	**(3,174)**	(4,403)
Profit and total comprehensive income for the year attributable to owners of the Company	*14*	**17,201**	21,467
Earnings per share Basic and diluted	*16*	**5.41 cents**	6.75 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	NOTES	2010 HK$'000	2009 HK$'000
Non-current asset			
Plant and equipment	17	**391**	540
Current assets			
Inventories	18	**706**	8,437
Trade and bills receivables	19	**391,202**	679,097
Trade deposits paid	20	**123,373**	9,224
Prepayments, deposits and other receivables	21	**520**	524
Amounts due from related companies	22	**69**	69
Amount due from a director	23	**–**	39
Tax recoverable		**1,229**	–
Pledged bank deposits	24	**2,344**	28,572
Bank balances and cash	24	**46,536**	76,874
		565,979	802,836
Current liabilities			
Trade and bills payables	25	**206,125**	455,292
Other payables	26	**6,601**	4,937
Customer deposits	27	**30,133**	54,534
Amounts due to directors	28	**41**	5
Tax liabilities		**4,928**	7,285
Borrowings	29	**287,277**	267,259
		535,105	789,312
Net current assets		**30,874**	13,524
Total assets less current liabilities		**31,265**	14,064
Capital and Reserves			
Share capital	30	**7,950**	7,950
Reserves		**23,315**	6,114
Equity attributable to owners of the Company		**31,265**	14,064

The consolidated financial statements on pages 3 to 41 were approved and authorised for issue by the Board of Directors on 11 March 2011 and are signed on its behalf by:

YU Xiao
Director

TANG Yun
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Share capital *HK$'000*	Share premium *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2009	7,950	28,537	(43,890)	(7,403)
Total comprehensive income for the year	–	–	21,467	21,467
At 31 December 2009 and 1 January 2010	7,950	28,537	(22,423)	14,064
Total comprehensive income for the year	–	–	17,201	17,201
At 31 December 2010	7,950	28,537	(5,222)	31,265

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
OPERATING ACTIVITIES		
Profit before tax	**20,375**	25,870
Adjustments for:		
Depreciation for plant and equipment	**165**	76
Interest income	**(14)**	(198)
Finance costs	**4,697**	17,248
Operating cash flows before movements in working capital	**25,223**	42,996
Decrease (increase) in inventories	**7,731**	(6,268)
Decrease (increase) in trade and bills receivables	**287,895**	(233,039)
(Increase) decrease in trade deposits paid	**(114,149)**	374,737
Decrease (increase) in prepayments, deposits and other receivables	**4**	(38)
Decrease in amounts due from related companies	**–**	33
Decrease (increase) in amount due from a director	**39**	(39)
(Decrease) increase in trade and bills payables	**(249,167)**	199,346
Increase (decrease) in other payables	**1,664**	(2,698)
(Decrease) increase in customer deposits	**(24,401)**	35,263
Increase in amounts due to directors	**36**	–
Cash (used in) generated from operations	**(65,125)**	410,293
Hong Kong Profits Tax paid	**(6,760)**	(3,593)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	**(71,885)**	406,700
INVESTING ACTIVITIES		
Decrease in pledged bank deposits	**26,228**	51,443
Purchases of plant and equipment	**(16)**	(539)
Interest received	**14**	198
NET CASH GENERATED FROM INVESTING ACTIVITIES	**26,226**	51,102
FINANCING ACTIVITIES		
New loan raised from (repayment of) loan from a related company	**93,000**	(379,425)
Net borrowings repaid on discounted bills with recourse	**(72,982)**	(23,272)
Interest paid	**(4,697)**	(17,248)
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES	**15,321**	(419,945)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(30,338)**	37,857
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**76,874**	39,017
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**46,536**	76,874

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

1. GENERAL INFORMATION

China Data Broadcasting Holdings Limited (the "Company") was incorporated in Bermuda with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business is Unit 3701, 37/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong. The Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The consolidated financial statements are presented in Hong Kong dollars ("HKD") which is different from the functional currency of the Company, being United States dollars ("USD"). As the Company is a public company with the shares listed on the Stock Exchange with most of its investors located in Hong Kong, and therefore the directors consider that Hong Kong dollars is preferable in presenting the operating result and financial position of the Group.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK (IFRIC) – INT 17	Distributions of Non-cash Assets to Owners
HK – INT 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

The Group applied HKFRS 3 (Revised) Business Combinations prospectively to business combination for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current year in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the applications of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior years.

Results of the Group in future years may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs are applicable.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs in 2010 except for the amendments to HKFRS 3 (Revised in 2008), HKFRS 7, HKAS 1 and HKAS 28[1]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[2]
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[3]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[6]
HKAS 32 (Amendments)	Classification of Rights Issues[7]
HK (IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Amendments that are effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 July 2011.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2012.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 February 2010.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange of goods.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Plant and equipment

Plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses. Depreciation is provided to write off the cost of items of plant and equipment over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs, and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and bills receivables, deposits and other receivables, amount(s) due from related companies/ a director, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment on financial assets below).

Impairment on financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment on financial assets (Continued)

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade and bills receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30-120 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade and bills receivables, other receivables, amount(s) due from related companies/ a director, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance amount are recognised in profit or loss. When trade and bills receivables, other receivables, amount(s) due from related companies/ a director, are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade and bills payables, other payables, amounts due to directors and borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for the proceeds received.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition (Continued)

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amounts of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods is recognised when the goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HKD) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

Leasing

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Impairment on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Borrowing costs

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

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of receivables

Management regularly reviews the recoverability and/or age of receivables. Appropriate impairment for estimated irrecoverable amounts are recognised in the consolidated statement of comprehensive income when there is objective evidence that the asset is impaired.

In determining whether impairment for bad and doubtful debts is required, the Group takes into consideration the current creditworthiness, the past collection history, age status and likelihood of collection. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flow expected to receive discounted using the original effective interest rate and its carrying value. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required.

5. CAPITAL RISK MANAGEMENT

The Company manages its capital structure to ensure optimal capital structure and shareholder returns through the optimisation of debt and equity balance. Further capital may be used to increase its horizon. The Company's overall strategy remains unchanged from prior year.

The Group monitors capital by maintaining cash flows from operating activities, investing activities and financing activities. Capital of the Group comprises all components of equity, bank balances and cash and borrowings. The usage of borrowings is used to support the daily operation.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2010	2009
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**440,571**	785,067
Financial liabilities		
At amortised cost	**497,527**	727,493

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, deposits and other receivables, amount(s) due from related companies/ a director, pledged bank deposits and bank balances and cash, trade and bills payables, other payables, amounts due to directors and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 14% (2009: 16%) of the Group's sales and purchases are denominated in currencies other than the functional currency of the group entity making the sales and purchases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Currency risk (Continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
HKD	**3,105**	2,999	**1,492**	1,799
Euro ("EUR")	**10,504**	113,786	**2,633**	133,958
Australian Dollars ("AUD")	**46,791**	126,777	**45,520**	123,389

The Group does not currently have a foreign currency hedging policy in respect of foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant currency exposure should the need arise.

Sensitivity analysis

The Group is mainly exposed to the currency of HKD/EUR/AUD.

The following table details the Group's sensitivity to a 10% (2009: 10%) increase and decrease in USD against the relevant foreign currencies. 10% (2009: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the year end for a 10% (2009: 10%) change in foreign currency rates. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the functional currency of the Group. A positive number below indicates an increase in post-tax profit where USD strengthen 10% (2009: 10%) against the relevant currency. For a 10% (2009: 10%) weakening of USD against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	HKD Impact		EUR impact		AUD Impact	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Profit or loss	**(135)**	(100)	**(657)**	1,684	**(106)**	(283)

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Management does not anticipate significant impact resulted from the change in interest rates on interest-bearing assets.

The Group's interest-rate risk arises from borrowings (see note 29 for details of these borrowings). Borrowings at fixed rate expose the Group to fair value interest-rate risk. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated

The Group is also exposed to cash flow interest rate risk in relation to variable-rate short-term bank balances (see note 24 for details of these balances). The exposure to the interest rate risk for variable-rate bank balances is insignificant as the bank balances have a short maturity period.

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point (2009: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

As at 31 December 2010, if interest rates on USD-denominated borrowings had been 100 basis points higher / lower with all other variables held constant, post-tax profit for the year would have been approximately HK$489,000 (2009: HK$1,054,000) decrease/increase, mainly as a result of higher/lower interest expense on fixed rate borrowings.

Credit risk

As at 31 December 2010, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group has concentration of credit risk as 50% (2009: 46%) and 81% (2009: 84%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively which are mainly located in the PRC and include a substantial shareholder of the Company and companies under its control.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk (Continued)

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalent deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group currently relies on borrowings as a significant source of liquidity.

The management will closely monitor the cash flow generated from operations and the Group's needs for different types of external financing and will negotiate for proper facilities and consider proper means of equity financing as appropriate.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Repayable on demand or less than 1 month	1-3 months	Over 3 months but less than 1 year	Total undiscounted cash flows	Carrying amount at 31/12/2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2010					
Non-derivative financial liabilities					
Trade and bills payables	206,125	–	–	206,125	206,125
Other payables	4,084	–	–	4,084	4,084
Amounts due to directors	41	–	–	41	41
Borrowings	43,943	69,159	179,600	292,702	287,277
	254,193	69,159	179,600	502,952	497,527

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

	Repayable on demand or less than 1 month	1-3 months	Over 3 months but less than 1 year	Total undiscounted cash flows	Carrying amount at 31/12/2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2009					
Non-derivative financial liabilities					
Trade and bills payables	435,647	19,645	–	455,292	455,292
Other payables	4,937	–	–	4,937	4,937
Amounts due to directors	5	–	–	5	5
Borrowings	68,872	136,387	64,170	269,429	267,259
	509,461	156,032	64,170	729,663	727,493

(c) Fair values of financial assets and liabilities

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. TURNOVER

The Group's turnover represents the invoiced value of goods sold, net of discounts and sales related taxes.

8. OTHER INCOME

	2010 HK$'000	2009 HK$'000
Bank interest income	14	198
Compensation income from a subsidiary of a substantial shareholder	43	–
Recovery of service deposits previously written off	1,560	–
Others	328	28
	1,945	226

9. SEGMENT INFORMATION

Information reported to the Board of Directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered. For management purposes, the Group is currently organised into a single segment as trading of consumer electronic products and related parts and components, and all revenue, expenses, results, assets and liabilities and capital expenditures are predominantly attributable to this single operating segment. Accordingly, no segment analysis by business and geographical information is presented.

Revenue from major products

The Group's revenue from operations was generated from trading of consumer electronic products and related parts and components for both years.

Geographical information

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	2010 HK$'000	2009 HK$'000
People's Republic of China	1,115,949	1,328,137
Europe	615,044	370,644
Australia	239,708	344,182
Hong Kong	132,727	67,635
Middle East	151,656	185,029
Africa	43,301	70,128
Other Asian District	127,214	97,304
United States of America ("USA")	20,349	3,998
South America	168,236	108,222
	2,614,184	2,575,279

Non-current assets of the Group are located in Hong Kong.

9. SEGMENT INFORMATION *(Continued)*

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2010	2009
	HK$'000	*HK$'000*
A group of companies under common control	**1,535,588**	1,776,669

10. FINANCE COSTS

	2010	2009
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings wholly repayable within 5 years	**1,689**	6,214
Loan from a related company wholly repayable within 5 years	**3,008**	11,034
	4,697	17,248

11. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2010, nor has any dividend been proposed since the end of the reporting period (2009: Nil).

12. INCOME TAX EXPENSES

	2010	2009
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
– Current tax	**3,174**	4,403

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

12. INCOME TAX EXPENSES *(Continued)*

The tax charge for the year can be reconciled to the profit per the consolidated statement of comprehensive income as follow:

	2010	2009
	HK$'000	*HK$'000*
Profit before taxation	**20,375**	25,870
Tax at the domestic income tax rate of 16.5% (2009: 16.5%)	**3,362**	4,269
Tax effect of income not taxable for tax purpose	**(2)**	(21)
Tax effect of expenses not deductible for tax purpose	**4**	22
Tax effect of other deductible temporary differences not recognised	**13**	–
Tax effect of tax losses not recognised	**–**	201
Tax effect of utilisation of tax losses previously not recognised	**(203)**	–
Others	**–**	(68)
Income tax expense	**3,174**	4,403

13. DEFERRED TAXATION

At 31 December 2010, the Group had unused tax losses and other deductible temporary differences of approximately HK$23,457,000 (2009: HK$24,685,000) and HK$529,000 (2009: HK$448,000) respectively available for offset against future profits. No deferred tax asset in respect of other deductible temporary differences and unused tax loss has been recognised due to the unpredictability of future profit streams. The unused tax losses may be carried forward indefinitely.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

14. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

Profit and total comprehensive income for the year has been arrived at after charging:

	2010 **HK$'000**	2009 HK$'000
Depreciation for plant and equipment	**165**	76
Auditor's remuneration	**850**	850
Cost of inventories recognised as an expense	**2,573,094**	2,512,715
Staff costs, including directors' emoluments *(note 15)*		
– Salaries and related staff costs	**7,725**	6,549
– Retirement benefits scheme contributions	**154**	146
	7,879	6,695
Exchange loss, net	**110**	670

15. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

Details of emoluments paid by the Group to the directors during the year are as follows:

For the year ended 31 December 2010

	Fees *HK$'000*	Salaries and allowances *HK$'000*	Retirement benefits scheme contributions *HK$'000*	Performance related incentive payments *HK$'000*	Total *HK$'000*
Executive directors					
Mr. David Ji Long Fen	–	240	–	–	240
Ms. Shi Ping	–	36	–	–	36
Mr. Tang Yun	–	984	12	61	1,057
Mr. Wang Zhenhua	–	36	–	–	36
Mr. Xiang Chao Yang	–	27	–	–	27
Mr. Yu Xiao	–	36	–	–	36
Mr. Wu Xiangtao	–	429	12	50	491
Independent non-executive directors					
Mr. Jonathan Chan Ming Sun	165	–	–	–	165
Mr. Robert Ip Chun Chung	165	–	–	–	165
Mr. Sun Donfeng	165	–	–	–	165
	495	1,788	24	111	2,418

15. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

For the year ended 31 December 2009

	Fees HK$'000	Salaries and allowances HK$'000	Retirement benefits scheme contributions HK$'000	Performance related incentive payments HK$'000	Total HK$'000
Executive directors					
Mr. David Ji Long Fen	–	309	–	–	309
Ms. Shi Ping	–	–	–	–	–
Mr. Tang Yun	–	834	12	–	846
Mr. Wang Zhenhua	–	–	–	–	–
Mr. Xiang Chao Yang	–	120	–	–	120
Mr. Yu Xiao	–	–	–	–	–
Mr. Wu Xiangtao	–	679	12	–	691
Independent non-executive directors					
Mr. Jonathan Chan Ming Sun	120	–	–	–	120
Mr. Robert Ip Chun Chung	120	–	–	–	120
Mr. Sun Donfeng	120	–	–	–	120
	360	1,942	24	–	2,326

(b) Employee's emoluments

The five highest paid individuals in the Group during the year included two (2009: two) directors whose emolument is included in the analysis presented above. The emoluments of the remaining three (2009: three) individuals are set out below:

	2010 HK$'000	2009 HK$'000
Salaries and allowances	**1,578**	1,334
Retirement benefits scheme contributions	**36**	36
	1,614	1,370

The emoluments of the remaining individuals for both years fall within the band of less than HK$1,000,000.

No emoluments have been paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for both years. None of the directors have waived or agreed to waive any emoluments for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

16. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the owners of the Company is based on the profit for the year ended 31 December 2010 of approximately HK$17,201,000 (2009: HK$21,467,000) and the weighted average number of ordinary shares of 318,000,000 (2009: 318,000,000) in issue during the year.

As there were no dilutive potential shares during the two years ended 31 December 2010 and 2009, the diluted earnings per share is the same as basic earnings per share.

17. PLANT AND EQUIPMENT

	Furniture, fixtures and equipment *HK$'000*	Leasehold improvements *HK$'000*	Motor vehicle *HK$'000*	Total *HK$'000*
COST				
At 1 January 2009	250	429	–	679
Additions	171	–	368	539
At 31 December 2009 and 1 January 2010	421	429	368	1,218
Additions	16	–	–	16
At 31 December 2010	437	429	368	1,234
DEPRECIATION				
At 1 January 2009	210	392	–	602
Charge for the year	29	29	18	76
At 31 December 2009 and 1 January 2010	239	421	18	678
Charge for the year	47	8	110	165
At 31 December 2010	286	429	128	843
CARRYING VALUES				
At 31 December 2010	151	–	240	391
At 31 December 2009	182	8	350	540

17. PLANT AND EQUIPMENT *(Continued)*

The above items of plant and equipment are depreciated on a straight-line basis over the estimated useful lives after taking into account their estimated residual values as below:

Furniture, fixtures and equipment	5 years
Leasehold improvements	the term of the lease
Motor vehicle	3 years

18. INVENTORIES

	2010	2009
	HK$'000	*HK$'000*
Trading merchandises	**706**	8,437

19. TRADE AND BILLS RECEIVABLES

Included in the balance are amounts due from subsidiaries of a substantial shareholder of the Company of approximately HK$140,276,000 (2009: HK$285,799,000) and amount due from a substantial shareholder of the Company of approximately HK$195,888,000 (2009: HK$314,643,000).

The Group allows an average credit period of 30-90 days and 30 – 120 days (2009: 30-90 days and 30 – 120 days) to its third party and related party trade customers respectively. The following is an aged analysis of trade receivables presented based on the invoice date at the reporting date:

	2010	2009
	HK$'000	*HK$'000*
Within 30 days	**164,339**	218,662
31 – 60 days	**121,698**	165,701
61 – 90 days	**78,912**	148,270
91 – 180 days	**25,443**	88,835
Over 180 days	**810**	57,629
	391,202	679,097

19. TRADE AND BILLS RECEIVABLES *(Continued)*

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. 65% (2009: 62%) of the trade and bills receivables that are neither past due nor impaired have the best credit scoring attributable under the external credit scoring system used by the Group. The Group does not hold any collateral over these balances.

Included in the Group's trade and bills receivables balance are debtors with aggregate carrying amount of approximately HK$138,369,000 (2009: HK$259,745,000) which were past due at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered fully recoverable. The Group does not hold any collateral over these balances.

Ageing of trade and bills receivables which are past due but not impaired:

	2010 ***HK$'000***	2009 *HK$'000*
Within 30 days	**45,330**	59,647
31 – 60 days	**44,316**	55,803
61 – 90 days	**39,160**	39,315
91 – 180 days	**8,753**	47,351
Over 180 days	**810**	57,629
Total	**138,369**	259,745

Included in trade and bills receivables are the following amounts denominated in currencies other than the functional currency of the Group:

	2010 ***HK$'000***	2009 *HK$'000*
EUR	**–**	113,388
AUD	**46,578**	126,231
HKD	**2**	67

20. TRADE DEPOSITS PAID

Included in the balance is an amount paid to a company under control by a substantial shareholder of the Company of approximately HK$90,675,000 (2009: HK$nil).

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

At 31 December 2010, included in prepayments, deposits and other receivables is an amount of approximately HK$520,000 (2009: HK$524,000) which is denominated in HKD which represented currency other than the functional currency of the Group.

22. AMOUNTS DUE FROM RELATED COMPANIES

Amounts due from related companies disclosed pursuant to section 161B of the Companies Ordinance are as follows:

Name of related companies	Terms	Balance at 31/12/2010 HK$'000	Balance at 31/12/2009 HK$'000	Maximum amount outstanding during the year HK$'000
Apex Digital Inc. (Incorporated in British Virgin Islands) ("ADIBVI") *(Note a)*	Unsecured, interest free and repayable on demand	65	65	65
Apex Digital (Shanghai) Co., Ltd ("ADSH") *(Note b)*	Unsecured, interest free and repayable on demand	4	4	4
		69	69	

At 31 December 2010, the amounts of approximately HK$69,000 (2009: HK$69,000) are denominated in HKD, which represented currency other than the functional currency of the Group.

Notes:

a. Ms. Shi Ping, a director of the Company, had beneficial interest in ADIBVI.

b. Mr. David Ji Long Fen, a director of the Company, had beneficial interest in ADSH.

23. AMOUNT DUE FROM A DIRECTOR

Amount due from a director disclosed pursuant to section 161B of the Companies Ordinance are as follows:

Name of director	Terms	Balance at 31/12/2010 HK$'000	Balance at 31/12/2009 HK$'000	Maximum amount outstanding during the year HK$'000
Wu Xiangtao	Unsecured, interest free and repayable on demand	–	39	39

24. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

	2010 *HK$'000*	2009 *HK$'000*
Pledged bank deposits	**2,344**	28,572
Bank balances and cash	**46,536**	76,874
	48,880	105,446

Bank balances bears interest at floating rates based on daily bank deposits rates.

Included in pledged bank deposits and bank balances and cash are the following amounts denominated in currencies other than the functional currency of the Group:

	2010 *HK$'000*	2009 *HK$'000*
HKD	**2,514**	2,339
AUD	**213**	546
EUR	**10,504**	448

At 31 December 2010, pledged bank deposits were pledged to secure general banking facilities granted to the Group and did not carry any interest rate.

24. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH *(Continued)*

At 31 December 2009, pledged bank deposits were pledged to secure general banking facilities granted to the Group and borrowings as set out in note 29 and carried interest at market rates ranging from 0.36% to 1.98%.

The pledged bank deposits will be released upon the settlement of relevant borrowings.

25. TRADE AND BILLS PAYABLES

Included in the balance are amounts due to subsidiaries of a substantial shareholder of the Company of approximately HK$52,986,000 (2009: HK$42,329,000) and amount due to a substantial shareholder of the Company of approximately HK$66,326,000 (2009: HK$325,359,000). The ageing analysis of trade and bills payables, based on the date of receipt of goods, is as follows:

	2010	2009
	HK$'000	*HK$'000*
Within 30 days	**69,452**	166,955
31 – 60 days	**56,584**	57,173
61 – 90 days	**9,428**	72,410
91 – 180 days	**48,182**	79,498
181 – 365 days	**21,756**	76,975
Over 1 year	**723**	2,281
	206,125	455,292

Included in trade and bills payables are the following amounts denominated in currencies other than the functional currency of the Group:

	2010	2009
	HK$'000	*HK$'000*
HKD	**–**	16
EUR	**–**	133,958
AUD	**45,520**	123,389

The average credit period on purchase of goods is 30-120 days (2009: 30-120 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

26. OTHER PAYABLES

Included in the balance are amounts due to subsidiaries of a substantial shareholder of the Company of approximately HK$1,903,000 (2009: HK$1,302,000) and amount due to a substantial shareholder of the Company of approximately HK$nil (2009: HK$52,000).

Included in other payables are the following amounts denominated in currencies other than the functional currency of the Group:

	2010	2009
	HK$'000	*HK$'000*
HKD	**1,451**	1,078

27. CUSTOMER DEPOSITS

Included in customer deposits are the following amounts denominated in currency other than the functional currency of the Group:

	2010	2009
	HK$'000	*HK$'000*
HKD	**–**	700
EUR	**9,508**	–

28. AMOUNTS DUE TO DIRECTORS

The amounts due to directors of the Company, Mr. Yu Xiao amounting to approximately HK$36,000 (2009: Nil) and Mr. David Ji Long Fen amounting to HK$5,000 (2009: HK$5,000), are unsecured, interest free and repayable on demand. These amounts are denominated in HKD, which represented currency other than functional currency of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

29. BORROWINGS

	2010 **HK$'000**	2009 *HK$'000*
Loan from a related company	**155,000**	62,000
Bank loans on bills discounted with recourse	**132,277**	205,259
	287,277	267,259
Secured	**132,277**	205,259
Unsecured	**155,000**	62,000
	287,277	267,259
Carrying amount repayable:		
On demand or within one year	**287,277**	267,259

Loans from a related company were advanced by Changhong (Hong Kong) Trading Limited, a subsidiary of substantial shareholder of the Company, of which Mr. Tang Yun is a director. The balances were unsecured, bearing interest at fixed rates of 2.5% (2009: 3.5%) per annum and are repayable in June 2011.

At 31 December 2010, the Group's secured bank borrowings were secured by bills receivables of approximately HK$132,277,000 (2009: HK$216,062,000).

30. SHARE CAPITAL

	2010 **HK$'000**	2009 *HK$'000*
Authorised:		
1,200,000,000 ordinary shares of HK$0.025 each	**30,000**	30,000
Issued and fully paid:		
318,000,000 ordinary shares of HK$0.025 each	**7,950**	7,950

Details of the Company's share option schemes are set out in note 31.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

31. SHARE OPTION SCHEME

On 11 January 2000, the Company approved the share option scheme (the "Scheme") under which the directors may, at their discretion, grant options to full-time employees ("Employees") of the Company and its subsidiaries (including executive directors of the Company and its subsidiaries) to subscribe for shares in the Company. The scheme became effective upon the listing of the Company's shares on the GEM on 24 January 2000.

The maximum number of shares in respect of which options may be granted may not exceed 10% of the share capital of the Company in issue from time to time other than: (i) shares issued pursuant to this Scheme; and (ii) any pro rata entitlements to further issues in respect of any shares mentioned in (i) during a period of 10 years from the date when the Scheme is adopted. The subscription price shall be a price determined by the board of directors at its absolute discretion and notified to Employees and shall be no less than the higher of: (i) the closing price of the shares as stated in the daily quotation sheets issued by the GEM on the offer date; (ii) the average closing price of the shares as stated in the daily quotation sheets issued by the GEM for the five business days immediately preceding the offer date; and (iii) the nominal value of a share.

Share options do not confer rights on the holders to dividends or to vote at shareholder meetings.

During the years ended 31 December 2010 and 2009, no option under the Scheme had been granted to any person, nor was there any outstanding option granted under the Scheme in issue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2010 HK$'000	2009 HK$'000
Non-current assets		
Plant and equipment	–	8
Investments in subsidiaries	100	100
	100	108
Current assets		
Prepayments, deposits and other receivables	100	120
Amounts due from subsidiaries *(Note a)*	36	25
Bank balances and cash	2,051	1,172
	2,187	1,317
Current liabilities		
Other payables	890	850
Amount due to a director	36	–
Amounts due to subsidiaries *(Note a)*	14,555	13,879
	15,481	14,729
Net current liabilities	(13,294)	(13,412)
	(13,194)	(13,304)
Capital and reserves		
Share capital	7,950	7,950
Share premium and reserves *(Note b)*	(21,144)	(21,254)
	(13,194)	(13,304)

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Notes:

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

(b) Movements of share premium and reserves during the year are as follows:

	Share premium *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2009	28,537	(48,995)	(20,458)
Loss for the year	–	(796)	(796)
At 31 December 2009 and 1 January 2010	28,537	(49,791)	(21,254)
Profit for the year	–	110	110
At 31 December 2010	28,537	(49,681)	(21,144)

33. OPERATING LEASE COMMITMENTS

The Group as lessee:

	2010 ***HK$'000***	2009 *HK$'000*
Minimum lease payments under operating lease during the year	**1,065**	975

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises and staff quarters falling due as follows:

	2010 ***HK$'000***	2009 *HK$'000*
Within one year	**938**	1,031
In the second to fifth years, inclusive	**365**	677
	1,303	1,708

Leases are negotiated and rentals are fixed for terms of 1 to 3 years (2009: 1 to 2 years).

34. RETIREMENT BENEFIT SCHEME

The Group has joined the Mandatory Provident Fund Scheme ("MPF Scheme") for all of its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme.

The retirement benefits scheme contributions arising from the MPF Scheme charged to the consolidated statement of comprehensive income represent contributions payable to the scheme by the Group at rates specified in the rules of the scheme. For the year ended 31 December 2010, contributions of the Group under the MPF Scheme amounted to approximately HK$154,000 (2009: HK$146,000).

35. RELATED PARTY TRANSACTIONS

(a) In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with related parties during the year:

Name of company	Nature of transaction	*Notes*	2010 HK$'000	2009 HK$'000
Substantial shareholder				
Sichuan Changhong	Sales of goods	*(ii)*	**617,847**	1,179,057
	Purchase of goods	*(ii)*	**812,198**	529,584
	Sales commission paid	*(iii)*	**–**	17
Subsidiaries of Sichuan Changhong				
Changhong Electric (Australia) Pty., Ltd.	Sales of goods	*(ii)*	**167,719**	206,498
Guangdong Changhong Electronics Co., Ltd.	Sales of goods	*(ii)*	**272,841**	40,027
Sichuan Changhong Component Technology Co., Ltd.	Sales of goods	*(ii)*	**10,540**	5,918
Sichuan Changhong Network Technologies Co., Ltd.	Sales of goods	*(ii)*	**120,993**	86,685
Changhong Europe Electric S.R.O.	Sales of goods	*(ii)*	**264,717**	210,542
Sichuan COC Display Devices Co., Ltd.	Sales of goods	*(ii)*	**–**	31
P.T. Changhong Electric Indonesia	Sales of goods	*(ii)*	**49,843**	43,260
Sichuan Hongrui Electronic Co., Ltd.	Sales of goods	*(ii)*	**25,815**	4,651
Hefei Changhong Industry Co., Ltd	Sales of goods	*(ii)*	**5,273**	–
Guangdong Changhong Electronics Co., Ltd.	Purchase of goods	*(ii)*	**460,530**	597,934
Zhangshan Changhong Electric Co., Ltd.	Purchase of goods	*(ii)*	**–**	1,798
Sichuan Changhong Network Technologies Co., Ltd.	Purchase of goods	*(ii)*	**50,330**	28,023
Hefei Meiling Co., Ltd.	Purchase of goods	*(ii)*	**3**	2,723
Changhong (Hong Kong) Trading Ltd.	Interest expenses paid	*(i)*	**3,008**	11,034
Sichuan Changhong Electronics System Co., Ltd.	Sales commission paid	*(iii)*	**–**	283
Sichuan Changhong Newenergy Technology Co., Ltd.	Sales commission income	*(iii)*	**–**	1
Sichuan Changhong Minsheng Logistics Co., Ltd.	Transportation expense	*(iii)*	**–**	4

35. RELATED PARTY TRANSACTIONS *(Continued)*

(a) *(Continued)*

Notes:

(i) Mr.Tang Yun, a director of the Company, have beneficial interest in this company.

(ii) The Company entered into the master supply agreement and the master purchase agreement with Sichuan Changhong in respect of the sales and purchases of various electronic products and components on 18 April 2007 and 9 May 2007 respectively (the "Existing Master Agreements"). According to the Existing Master Agreements, the relevant electronic products and components to be sold to or purchased from Sichuan Changhong.or any of its subsidiaries for the supply or purchase of the relevant electronic products and components are to be made at prices with reference to the market prices and credit terms subject to normal commercial practices. As the Existing Master Agreements have been expired on 31 December 2009, the Company entered into the new master supply agreement and the master purchase agreement with Sichuan Changhong on 20 November 2009 to continue the sales and purchases of various electronic products and components between the Company and Sichuan Changhong or any of its subsidiaries from 1 January 2010 to 31 December 2012.

(iii) Sichuan Changhong, a substantial shareholder of the Company, is the parent company of these companies.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2010 ***HK$'000***	2009 *HK$'000*
Short-term benefits	**2,917**	2,759
Post-employment benefits	**36**	36
	2,953	2,795

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

36. SUBSIDIARIES

Particulars of the subsidiaries of the Company as at 31 December 2010 are as follows:

Name	Place of incorporation/ registration and operation	Issued and fully paid up ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	*Indirect*	
Apex Honour Resources Limited	British Virgin Islands	US$1	100	–	Investment holding
Apex Digital Inc.	British Virgin Islands	US$1	100	–	Inactive
Changhong Overseas Development Limited	Hong Kong	HK$100,000	100	–	Trading of consumer electronic products and related parts and components
Apex Digital, LLC	USA	US$365,190	–	100	Inactive
Apex Digital Inc. Limited	Hong Kong	HK$2	–	100	Trading of consumer electronic products and related parts and components

None of the subsidiaries had issued any debt securities at the end of the year.

37. EVENTS AFTER THE REPORTING PERIOD

On 25 January 2011, Changhong (Hong Kong) Trading Limited ("Changhong HK") has entered into the subscription agreement with the Company pursuant to which the Changhong HK has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 16,000,000 shares at the price of HK$0.50 per share. Changhong HK is a wholly-owned subsidiary of Sichuan Changhong, which is a substantial shareholder of the Company. The subscription is subject to approval from independent shareholders by way of poll at the special general meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

38. RECLASSIFICATION

The comparative figures of the consolidated statement of cash flows as at 31 December 2009 were restated due to the reclassification of pledged bank deposits of approximately HK$51,443,000 which by nature should not be classified as financing activities according to HKAS 7 Statement of Cash Flows.

The amount of the reclassification for each line item affected in consolidated statement of cash flows is presented below.

Effect of the reclassification on the Group's consolidated statement of cash flows on 31 December 2009 is as follows:

	As previously reported	**Reclassification**	**As restated**
	HK$'000	*HK$'000*	*HK$'000*
On 31 December 2009			
Financing Activities			
Decrease in pledged bank deposits	51,443	(51,443)	–
Investing Activities			
Decrease in pledged bank deposits	–	51,443	51,443