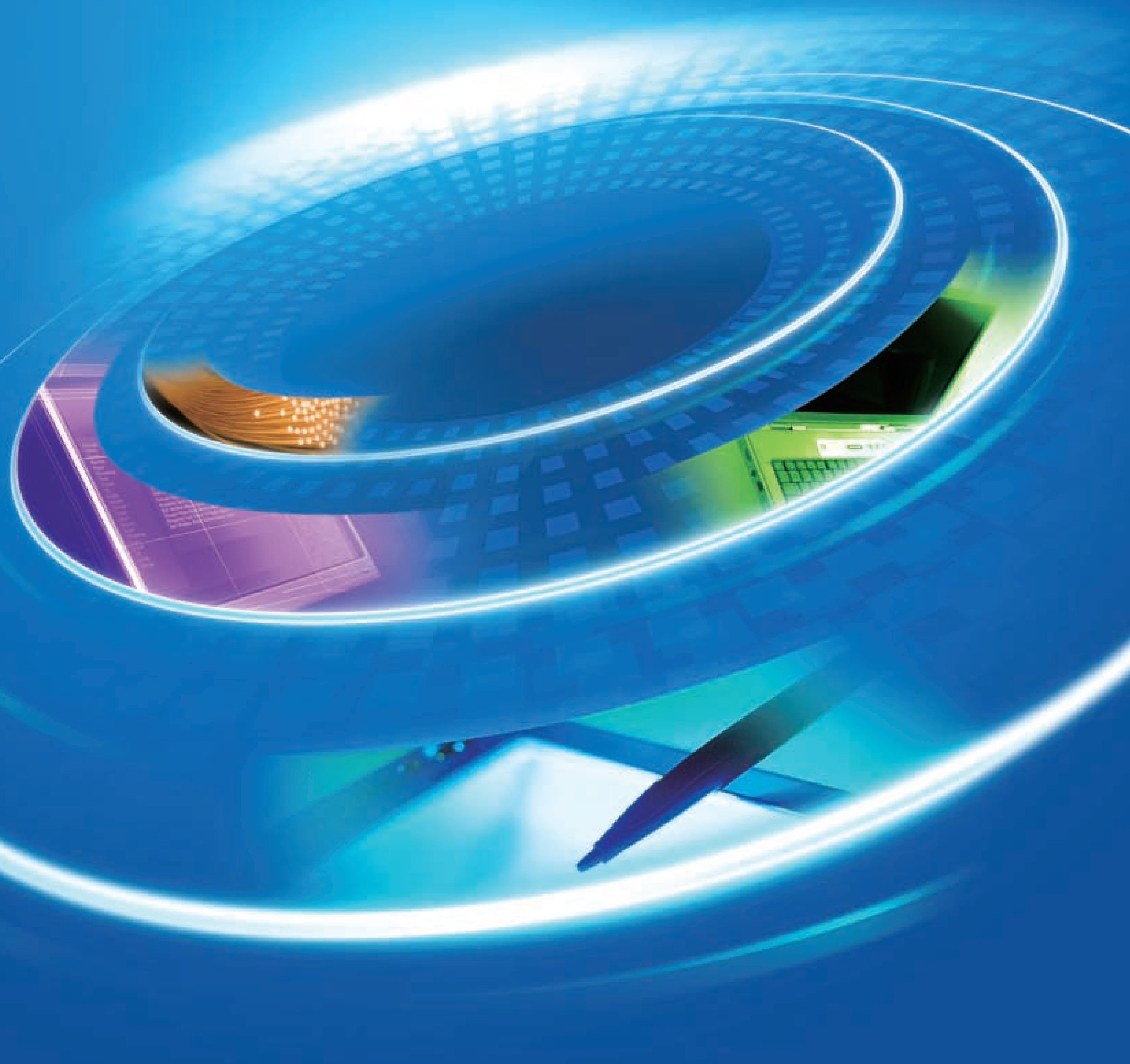
长虹佳华
CHANGHONG IT

CHANGHONG JIAHUA HOLDINGS LIMITED

(Formerly known as China Data Broadcasting Holdings Limited 中華數據廣播控股有限公司)
(Incorporated in Bermuda with limited liability)
Stock Code : 8016

ANNUAL REPORT 2012



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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the 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 Changhong Jiahua 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.

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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
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
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 (resigned on 6/3/2012) Mr. RONG Dong Ms. SHI Ping

CORPORATE INFORMATION

Independent Non-executive Directors	Mr. Jonathan CHAN Ming Sun Mr. Robert IP Chun Chung Mr. SUN Dong Feng Mr. Cheng Yuk Kin (appointed on 27/11/2012)
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 (resigned on 1/3/2013) Codan Services Limited (appointed on 1/3/2013)
Bermuda deputy resident representative	Mr. Anthony Devon WHALEY (resigned on 1/3/2013)
Audit Committee	Mr. Jonathan CHAN Ming Sun (Chairman) Mr. Robert IP Chun Chung Mr. SUN Dong Feng Mr. Cheng Yuk Kin (appointed on 27/11/2012)
Remuneration Committee	Mr. Jonathan CHAN Ming Sun (Chairman, joined on 13/1/2012) Mr. YU Xiao Mr. Robert IP Chun Chung Mr. SUN Dong Feng
Nomination Committee	Mr. YU Xiao (Chairman) Mr. Jonathan CHAN Ming Sun Mr. Robert IP Chun Chung (joined on 13/1/2012) Mr. SUN Dong Feng
Compliance Adviser	Platinum Securities Company Limited 21/F LHT Tower 31 Queen's Road Central Hong Kong
Auditor	SHINEWING (HK) CPA Limited 43/F, The Lee Gardens 33 Hysan Avenue, Causeway Bay Hong Kong

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. YU Xiao, aged 44, joined the Company as Executive Director and Chairman in November 2006. Mr. Yu is responsible for overseeing the strategies and directions of the Group (to be defined below). He holds a Bachelor Degree in Economics with major in National Economic Management from Sichuan University in the Peoples' Republic of China ("PRC") and has more than 22 years of experience in financial and economic management.

Mr. TANG Yun, aged 47, joined the Company as Executive Director and Managing Director in November 2006. Mr. Tang is in charge of the operation and management of the Company. He obtained a Master Degree in Applied Physics from University of Electronic Science and Technology of China in the PRC and has more than 23 years of experience in engineering and marketing in the consumer electronics industry.

Mr. WU Xiangtao, aged 39, joined the Company as Executive Director and Deputy Managing Director in May 2008. Mr. Wu has ceased to hold the senior management position but remain as a Director. Mr. Wu is responsible for the strategies of the Group's trading business of consumer electronic products. 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 recently obtained a Master Degree in Business Administration from University of Glasgow, United Kingdom ("UK"). He has more than 16 years of experience in the consumer electronics industry.

Mr. XIANG Chao Yang, aged 55, joined the Company as Executive Director in November 2006. Mr. Xiang is responsible for the PRC legal affairs 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 24 years of experience in law.

Mr. David JI Long Fen, aged 60, joined the Company as Executive Director in May 2003. Mr. Ji is principally responsible for the Group's business operations in the United States of American ("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 21 years of experience in the consumer electronics industry in USA, including sourcing and wholesale operations.

Mr. WANG Zhenhua, aged 60, joined the Company as Executive Director in December 2006. Mr. Wang is principally responsible for sourcing of products for the Group. He obtained a Master Degree in Business Administration from Tianjin University in the PRC and has more than 36 years experience in industrial and foreign trade enterprises. Mr. Wang has resigned the position with effective on 6 March 2012.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Ms. SHI Ping, aged 50, joined the Company as Executive Director in May 2007. Ms. Shi is principally 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 27 years experience in economics and engineering management.

Mr. RONG Dong, aged 35, joined the Company as Executive Director and Assistant to Managing Director in June 2010. Mr. Rong has been promoted to vice general manager of the Company and is responsible for day-to-day management of the Group's trading business of consumer electronic products and electronic parts and components. He obtained a Master Degree of Business Administration in Industrial Management from Sheffield Hallam University in UK and Diploma in Economics and Trade English from Hunan Institute of Engineering in the PRC and has more than 14 years experience in operation management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Jonathan CHAN Ming Sun, aged 41, joined the Company as Independent Non-Executive Director in February 2007. Mr. Chan was appointed as the Chairman of Audit Committee and Remuneration Committee, also the member of Nomination Committee. He is an Associate Director of Go-To-Asia Investment Limited. He also holds the position of an independent non-executive director of Xiangyu Dredging Holdings Limited (stock code: 871), Hao Tian Resources Group Limited (stock code: 474), Shenyang Public Utility Holdings Company Limited (stock code: 747) and Capital VC Limited (formerly Sino Katalytics Investment Corporation) but the latter one was only up to April 2012. 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 14 years of experience in investment and corporate finance.

Mr. Robert IP Chun Chung, aged 56, joined the Company as Independent Non-Executive Director in February 2007. Mr. Ip is the member of Audit Committee, Remuneration Committee and Nomination Committee. He is a practising solicitor in Hong Kong and is a non-executive director of Poly Property Group Co., Limited. He also holds the position of an independent non-executive director of Value Convergence Holdings Limited (stock code: 821). 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, UK. He is also a member of the Law Society of Hong Kong and the Law Society of England and Wales. He has over 31 years of experience in legal aspects.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. SUN Dongfeng, aged 45, joined the Company as Independent Non-Executive Director in February 2007. Mr. Sun is the member of Audit Committee, Remuneration Committee and Nomination Committee. He 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 in the PRC, and obtained a Master Degree of Law in International Economics from the School of Law of University of Canberra, Australia. He has over 20 years of experience in legal aspects.

Mr. Cheng Yuk Kin, aged 37, joined the Company as Independent Non-Executive Director in November 2012. Mr. Cheng is the member of Audit Committee. He is an executive director of Ivory Capital Private Limited. He obtained his Bachelor Degree of Business Administration in Finance from Hong Kong University of Science and Technology and obtained a Master Degree of Business Administration from the George Washington University School of Business in USA. He is also a member of American Institutional Certified Public Accountants. He has over 15 years of experience in corporate finance and audit.

SENIOR MANAGEMENT

Mr. LEE Wing Lun, aged 54, is the Financial Controller and Secretary of the Company and is responsible for the financial and accounting management and secretarial affairs of the Company. 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 18 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.

Mr. LIU Jianhua, aged 36, is the Financial Controller of the subsidiaries and is responsible for the financial and accounting management of the subsidiaries and internal control of the Group. He holds a Bachelor Degree in International Finance from Sichuan University in the PRC and has more than 12 years of experience in accounting and financial management.

CHAIRMAN'S STATEMENT

Dear Shareholders,

The Group has pursued an aggressive expansion in business operations in the year 2012 against the slow recovery of the global economy and the unstable regional economic and political environments.

FINANCIAL SUMMARY

- Revenue for the year ended 31 December 2012 was 27.09% higher than the previous year, at approximately HK$3,462.29 million.

- Loss before tax of approximately HK$7.28 million for the year ended 31 December 2012. This was mainly attributable to the impact of the payment of professional fees and expenses incurred for an acquisition by the Company described below.

BUSINESS REVIEW

During the year, the Company and its subsidiaries (the "Group") engaged in trading business in the consumer electronics industry (the "Trading Business"). The Group has accomplished an improved operating revenue of approximately HK$3,462.29 million and loss before tax of approximately HK$7.28 million. The revenue for year 2012 was 27.09% higher than the previous year but due to the professional fees incurred for an acquisition (as described below), the Group recorded a net loss of approximately HK$10.08 million for the year ended 31 December 2012.

As at 31 December 2012, the Group's gross margin was approximately 1.30%, which is 18.75% lower than that of 2011. The decrease was due to the fierce competition and the drop of price of the product in the industry.

The acquisition (the "CH Jiahua Acquisition") from the controlling shareholder, Sichuan Changhong Electric Co., Limited ("Sichuan Changhong") was approved in a special general meeting on 8 January 2013 and was completed on 22 January 2013, details of which are set out in the announcement of the Company dated 23 April 2012 and the circular of the Company dated 12 December 2012 (the "Circular"). The name of the Company has been changed to Changhong Jiahua Holdings Limited (長虹佳華控股有限公司) with effect on 18 February 2013. The Company adopted new Bye-Laws approved at a special general meeting held on 8 January 2013. Pursuant to the CH Jiahua Acquisition, distribution of IT consumer and corporate products was added to the Group's current business lines.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial and liquidity positions are healthy and stable. As at 31 December 2012, the aggregate outstanding borrowings of the Group were approximately HK$228.67 million (2011: HK$94.52 million) which were partially unsecured and interested bearing. Such fluctuation was due to the increase of factoring in the year ended 31 December 2012 as the Group's financial positions are continuously improving. The Group's cash and bank balances amounted to approximately HK$223.01

million, together with trade and bills receivables amounted to approximately HK$690.12 million. The Group's net current assets approximate to HK$37.78 million and the Group does not have any charges on its assets. The net gearing ratio (total net debt/total shareholders' equity) of our Group as at 31 December 2012 was 17.30 times. The management is confident that with some proper funding arrangements, 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 2012, the total number of the Group's staff was 27. The total staff costs (including directors) amounted to approximately HK$9.51 million for the year under review. The Group remunerates its employees based on their performance, experience and the prevailing industry practice. The Group provides retirement benefit for its employees in Hong Kong in the form of mandatory provident fund.

During the year under review, there was no outstanding share options granted or exercised as the scheme expired.

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 has developed good relationship with its employees.

CAPITAL STRUCTURE

The Group manages its capital structure to ensure optimal capital structure and shareholder returns, using the capital to promote its business development as ultimately increasing the revenue and margin in the consumer industry. Further capital may be used to increase its business diversification.

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 for the support the daily operation.

SIGNIFICANT INVESTMENTS AND ACQUISITION

As at 31 December 2012, the Company did not have any other significant investment and acquisition other than the CH Jiahua Acquisition as set out above.

CHAIRMAN'S STATEMENT

FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCE OF FUNDING

The Group will continue to consolidate its existing businesses and the acquired IT distribution business while exploring new business opportunities that would enhance its businesses. As at 31 December 2012, the CH Jiahua Acquisition was pending shareholders' and relevant regulatory approvals and was yet to be completed.

CONTINGENT LIABILITIES

As at 31 December 2012, the Group did not have any material contingent liabilities.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by Platinum Securities Company Limited ("Platinum Securities"), the compliance adviser of the Company, neither Platinum Securities nor its directors or employees or associates had any interests in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 31 December 2012. Pursuant to the agreement dated 13 November 2012 entered into between Platinum Securities and the Company, Platinum Securities received and will receive fees for acting as the compliance adviser of the Company until the expiry of such agreement following the distribution of the Company's 2012 annual report.

OUTLOOK

As the Company has established stable clientele bases of supplier and customers and the financial positions of the Group are continuously improving, in terms of the fact that Company has acquired an IT distribution business, the Company is confident that the trading business in the consumer electronics industry and the IT distribution business will build up a steady and considerable income stream for the Group. The management will put more efforts to explore further business opportunities in related industries and will look for suitable investment opportunities in an active but cautious manner to broaden the Group's business. The board of directors ("Board") believes that the business of the Group will continue to improve in the near future. The Group's commitment is to create value for shareholders.

YU Xiao
Chairman

26 March 2013

CORPORATE GOVERNANCE REPORT

Our mission has always been to enhance our corporate value, maintain our sustainable long-term development and create maximum returns for shareholders. In order to achieve the abovementioned objectives, we have established good corporate governance practices based on the principles of integrity, transparency, openness and efficiency, and have implemented and improved various policies, internal controls procedures and other management framework.

High corporate governance standard is built from the good corporate culture. Corporate governance principles and policies can only be applied efficiency, effectively and consistently when good corporate culture is the corner stone of the Company. The Board considers that maintaining high standard of corporate governance and business ethics will serve the long term interest of the Company and its shareholders. The goal of the Company is to achieve well-balanced development and focus on the relevant corporate, social and environmental responsibilities.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the Corporate Governance Code (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 complied with most of the Code Provisions as far as possible and practicable throughout the year ended 31 December 2012. An explanation for any deviations is provided below.

Code provision A.6.7

Pursuant to A.6.7 of the CG Code, independent non-executive directors should attend general meetings. However, all independent non-executive directors were unable to attend the annual general meeting held on 4 May 2012 due to other prior engagements.

Code provision E.1.2

Pursuant to E.1.2 of the CG Code, the Chairman should attend the annual general meeting. However, Mr. Yu Xiao was unable to attend the annual general meeting held on 4 May 2012 due to other prior engagements.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS

At the annual general meeting, Company made substantial efforts to enhance communications with its shareholders, the Board always tried to fully address any questions raised by shareholders.

The Company has established a shareholders' communication policy and will review it on a regular basis to ensure its effectiveness. The Company published on its own website the procedures for shareholders to propose candidates for election as Director. Shareholders may send their enquiries requiring the Board's attention to the Company's secretary at the Company's registered address. Questions about the procedures for convening or putting forward proposals at an annual general meeting or special general meeting may also be put to the Company secretary by the same means. The Board members meet and communicate with shareholders and investors at annual general meetings and other general meetings. Corporate communications (such as quarterly, interim and annual reports, notices, circulars and announcements) are sent to shareholders in a timely manner and are available on the websites of the Company and the Exchange.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Propose a Person for Election as a Director and Convene a Special General Meeting

According to Bye-law 85 of the Company's Bye-laws, a shareholder of the Company (other than the person to be proposed) duly qualified to attend and vote at an annual general meeting of the Company may propose a person for election as a director at such meeting by lodging a notice in writing signed by such shareholder of his intention to propose such person for election and a notice in writing signed by the person to be proposed of his willingness to be elected at the head office of the Company or the office of the Hong Kong branch share registrar of the Company provided that the minimum length of the period, during which such notices are given, shall be at least seven days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgement of such notices shall commence on the day after the despatch of the notice of the meeting appointed for such election and end no later than seven days prior to the date of such meeting.

Other than election at annual general meetings, pursuant to Bye-law 58 of the Company's Bye-laws, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition, including election of directors, and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists, themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS AND BOARD MEETINGS

The key responsibilities of the Board include, among other things, formulating the Group's overall strategies, setting up performance targets, monitoring internal controls and financial reporting and supervising the management's performance, while day-to-day operations are delegated by the Board to the management. The Board operates in accordance with established practices (including those relating to reporting and supervision), and is directly responsible for formulating the Company's corporate governance guidelines. The Board also approves matters by resolutions in writing. Information of material issues, due notice of meeting and minutes of board meeting was sent to each of the directors for their information, comment and review.

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 agreement on behalf of the Group.

The Board currently comprises of 11 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 (resigned on 6/3/2012)
Mr. WU Xiangtao
Mr. RONG Dong

Independent Non-Executive Directors

Mr. Jonathan CHAN Ming Sun
Mr. Robert IP Chun Chung
Mr. SUN Dongfeng
Mr. CHENG Yuk Kin (appointed on 27/11/2012)

The directors have disclosed to the Company their positions held in other public companies, organizations or its associated. The information regarding their directorships in other public companies is set out in the biographies of directors and senior management on pages 5 to 7 and on the Company’s website. To ensure timely disclosure any change of personal information, the Company has established a specific communication policy to handle the changes. There is no financial, business, family or other material relationships among members and all directors have no business relationship with the Group.

The Company has arranged appropriate insurance company for directors’ and officers’ liabilities and the terms of such insurance will be reviewed annually.

CORPORATE GOVERNANCE REPORT

The Company and its directors (including independent non-executive directors) have not entered into any fixed term service contract. All directors are subject to retirement by rotation and be eligible to offer for re-election at forthcoming annual general meeting. The Company has also received acknowledgements from directors of their responsibility for preparing the financial statements and a representation by the auditors in relation to their reporting responsibilities.

The directors possess the relevant experience and qualifications and have exercised due care to handle the significant matters of the Group.

Board meetings are held at least once a quarter and when necessary. During the year, the Board met on 21 occasions and the details of the attendance of the directors at the respective meetings were as follows:

Name of Directors	Annual general meeting/ Special general meeting	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting
Executive Director					
Mr. David JI Long Fen	0/1	1/21	N/A	N/A	N/A
Mr. YU Xiao	0/1	9/21	N/A	1/1	3/3
Mr. TANG Yun	1/1	21/21	N/A	N/A	N/A
Mr. XIANG Chao Yang	0/1	12/21	N/A	N/A	N/A
Mr. WANG Zhenhua	0/1	0/21	N/A	N/A	N/A
Ms. SHI Ping	0/1	14/21	N/A	N/A	N/A
Mr. WU Xiangtao	0/1	16/21	N/A	N/A	N/A
Mr. RONG Dong	1/1	19/21	N/A	N/A	N/A
Independent Non-Executive Director					
Mr. Jonathan CHAN Ming Sun	0/1	17/21	4/4	1/1	3/3
Mr. Robert IP Chun Chung	0/1	15/21	4/4	1/1	3/3
Mr. SUN Dongfeng	0/1	12/21	3/4	1/1	2/3
Mr. CHENG Yuk Kin	0/1	2/21	0/4	N/A	N/A

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

The chairman of the Board invited the chairman of the Audit Committee, Remuneration Committee, Nomination Committee or their delegates to attend the annual general meeting and to response any enquires at the annual general meeting.

CORPORATE GOVERNANCE REPORT

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the rules set out in Rules 5.48 to 5.67 (where applicable) of the GEM Listing Rules as the code for dealing in securities of the Company by the Directors. The Company has complied with the requirements of director's securities transaction stated in the GEM Listing Rules to regulate the directors' securities transactions. All directors have confirmed that they have complied with the requirements as set out in the GEM Listing Rules during the period between 1 January 2012 and 31 December 2012.

TRAINING

As part of an ongoing process of directors' training, the directors are updated with latest developments regarding the Listing Rules and other applicable regulatory requirements from time to time to ensure compliance of the same by all directors. All directors are encouraged to attend external forum or training courses on relevant topics which may count towards continuous professional development training.

Pursuant to Code Provision A.6.5 of CG Code and Report, which has come into effect from 1 April 2012, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Up to the date of this report, all directors have participated in appropriate continuous professional development activities by attending training course on the topics related to corporate governance and regulations which provided by a hired law firm/regulatory authorities or by reading materials relevant to the Company's business or to their duties and responsibilities. The training requirements for the Company's secretary according to R5.15 of the GEM Listing Rules has not been complied with for the year ended 31 December 2012, due to other personal engagement of the Company's secretary.

As part of the continuous professional development programme, directors participated in the various briefings as arranged and funded by the Company with appropriate emphasis on the roles, functions and duties of the directors. This is in addition to directors' attendance of meetings and review of papers and circulars sent by management. The participation by individual directors and the company secretary in the programme in 2012 is recorded in the table below.

CORPORATE GOVERNANCE REPORT

	Reading regulatory updates	Training courses provided by hired law firm/ regulatory authorities
Executive Directors		
Mr. YU Xiao	✓	✓
Mr. TANG Yun	✓	✓
Ms. SHI Ping	✓	✓
Mr. David JI Long Fen	✓	✓
Mr. XIANG Chao Yang	✓	✓
Mr. WU Xiangtao	✓	✓
Mr. RONG Dong	✓	✓
Mr. WANG Zhenhua (resigned on 6/3/2012)	N/A	N/A
Independent Non-executive Directors		
Mr. Jonathan CHAN Ming Sun	✓	✓
Mr. Robert IP Chun Chung	✓	✓
Mr. SUN Dongfeng	✓	✓
Mr. CHENG Yuk Kin	✓	✓
Company Secretary		
Mr. LEE Wing Lun	✓	✓

CHAIRMAN AND CHIEF EXECUTIVE

The Code Provision A.2.1 stipulates that the roles of Chairman and chief executive 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive directors is appointed to a twelve month term, which is renewable automatically with a fixed amount of remuneration per annum. None of the independent non-executive directors 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 them to be independent.

BOARD COMMITTEES

The Company has established three committees: Audit Committee, Remuneration Committee and Nomination Committee. Independent non-executive directors are the majority of the committees. Each committee operates under its terms of reference which are available on the Company's website or can be obtained from the Company by written request.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

Membership

The members of the Audit Committee are Mr. Jonathan Chan Ming Sun (Chairman), Mr. Robert Ip Chun Chung, Mr. Sun Dong Feng and Mr. Cheng Yuk Kin (joined on 27 November 2012). All members have many years of experience and appropriate professional qualifications to fulfill their duties.

Responsibilities

The primary responsibilities of the Audit Committee include, among other things, making recommendations to the Board on the appointment, re-appointment and removal of external auditors, approving the remuneration and terms of engagement of external auditors, reviewing and monitoring external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, developing and implementing policies on the engagement of external auditors to provide non-audit services, monitoring the financial statements and the completeness of the report and financial statements and overseeing the Company's financial reporting system and internal control procedures. The Audit Committee held regularly meetings at its discretion, directors and/or senior management, may be invited to attend the meeting for discussion.

During the year ended 31 December 2012, the Audit Committee mainly performed the following duties:

– reviewed the Group's unaudited quarterly and interim results for the period ended 31 March 2012, 30 June 2012 and 30 September 2012 and the audited annual results for the year ended 31 December 2012, met with the external auditors to discuss such quarterly, interim and annual results without the presence of the Company's management, and was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made;

– reviewed the accounting principles and practices adopted by the Group, and recommended the appointment of the external auditors; and

– assisted the Board in meeting its responsibilities for maintaining an effective system of internal control and risk management.

During the year, the Audit Committee held four meetings and the details of attendance was set out on page 14 of the report. The annual results for the year ended 31 December 2012 was reviewed by the Audit Committee.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

Membership

The members of the Remuneration Committee are Mr. Jonathan Chan Ming Sun (joined and appointed as Chairman on 13/1/2012), Mr. Yu Xiao (former Chairman and resigned on the same date), Mr. Robert Ip Chun Chung and Mr. Sun Dong Feng. Majority of members are independent non-executive directors.

Responsibilities

The primary responsibilities of the Remuneration Committee include, among other things, determining the remuneration packages of all executive directors and senior management, making recommendations to the Board on the remuneration of non-executive directors, reviewing and approving performance based remuneration, ensuring that no director or any of his/her associates is involved in deciding his/her own remuneration, and making recommendations to the Board on the Company's policy and structure for remuneration of employees, including salaries, incentive schemes and other stock option plans.

During the year ended 31 December 2012, the Remuneration Committee mainly performed the following duties:

– recommended the remuneration of Mr. Rong Dong and Mr. Cheng Yuk Kin to the Board; and

– reviewed the Group's remuneration policy and reviewed the remuneration package of the executive Directors and senior management for the year of 2012.

During the year, the Remuneration Committee held three meetings and the details of attendance was set out on page 14 of the report.

NOMINATION COMMITTEE

Membership

The members of Nomination Committee are Mr. Yu Xiao (Chairman), Mr. Jonathan Chan Ming Sun (joined on 13/1/2012), Mr. Robert Ip Chun Chung and Mr. Sun Dong Feng. Majority of members are independent non-executive directors.

Responsibilities

The primary responsibilities of the Nomination Committee include, among other things, reviewing on a regular basis the structure, size and composition of the Board, identifying individual's suitabilities and assessing the independence of independent non-executive directors.

During the year ended 31 December 2012, the Nomination Committee mainly performed the following duties:

– assessed the independence of Mr. Cheng Yuk Kin, reviewed and recommended the appointment of Mr. Cheng Yuk Kin as an independent non-executive Director to the Board;

– reviewed the annual confirmation of independence submitted by the independent non-executive Directors and assessed their independence; and

– reviewed the structure, size and composition of the Board during the year of 2012.

The Board has the authority to determine the appointment while the Nomination Committee acted as advisor. During the year, the Nomination Committee held one meeting and the details of attendance was set out on page 14 of the report.

REMUNERATION, APPOINTMENT AND ROTATION OF DIRECTORS

The remuneration of senior management consists of performance-linked monthly salary and performance-linked annual bonus. The performance-linked annual bonus is tied to the attainment of key performance indicators or targets. The remuneration of executive director is based on the Company's financial position in a fixed sum. The remuneration of independent non-executive director is determined by the Board according to the prevailing market conditions and the workload.

Currently, executive directors are mainly recommended by the substantial shareholders who have considerable years of experience and expertise in the consumer electronics industry, whereas for the independent non-executive directors, independence is most important as well as his/her experience and expertise in finance, law and management. The Nomination Committee, taking into consideration the Listing Rules and structure and composition of the Board, identifies and reviews individuals suitabilities with due care. The Nomination Committee makes recommendations to the Board for its consideration.

All newly-appointed directors of the Company receive a comprehensive induction of fiduciary duties of director to make sure that they have a good understanding of the responsibilities; fully aware of the listing rules, applicable laws and regulations, operation and governance policies of the Company. All newly-appointed directors of the Company are subject to re-election at the forthcoming annual general meeting after their appointment. Every director is subject to retirement by rotation and be eligible to offer for re-election at annual general meeting.

MANAGEMENT AND EMPLOYEES

The duty of the management is to implement the strategy and direction as determined by the Board and to take care of day-to-day operations of the Company. Management is adhered to certain commercial principles and ethics while performing their duties. The Company is continuing to improve the operation system and business processes and is monitoring its implementation.

CORPORATE GOVERNANCE REPORT

EXTERNAL AUDITOR

The Company engaged SHINEWING (HK) CPA Limited ("Shinewing") as auditor of the Company. During the year, the services provided by Shinewing included the audit of consolidated financial statements of the Group and financial statements of its subsidiaries. The auditor had also engaged in a special assignment in the CH Jiahua Acquisition and had reviewed the effectiveness of the internal control and financial reporting system of the Company.

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$900,000. 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, the auditor was engaged in professional services in relation to the CH Jiahua Acquisition with fees amounted to HK$5,602,600.

The external auditor attended the annual general meeting to response any enquiries about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

INTERNAL CONTROL

The Board conducts regular reviews on the effectiveness of the internal control system to ensure that the operation of the Company is legal, the assets of the Company are safeguarded and the accuracy and reliability of the financial information that the Company relies on for the operation of its business or for the release to the public. The management is responsible for establishing and maintaining the internal control system for financial reporting. The Company has established a stringent internal control system for financial reporting to eliminate the risks of misstatement, omission and fraud in financial reporting. Meanwhile, with reference to external regulatory requirements, our business development and the internal management procedures, the Company has reviewed the effectiveness of the internal control system for business strategy, finance, operations, marketing, legal compliance and other areas. The Company also considered to establish a comprehensive risk management system which integrates internal control and risk management system for the control of business operations with high risks. The Company also conducted assessment on its internal control system on an annual basis.

During the year 2012, the Company engaged an external auditor to conduct a comprehensive review on the Company's internal control and financial reporting system in connection with the CH Jiahua Acquisition. The Company adopted, implemented and introduced all the suggestions recommended by the external auditors and the Company's internal control and financial reporting system is effective and accountable.

Based on the evaluation conducted, the management believes that the internal control and financial reporting system was effective and provided reliable financial data in the preparation of financial statements in accordance with generally accepted accounting principles.

CORPORATE GOVERNANCE REPORT

All material information related to the Company is disclosed the leadership of the Board together with the management performed relevant duties. The Company has performed an annual review of the effectiveness of the disclosure procedures. The Company's disclosure procedures were effective at a reasonable assurance level.

CONTINUOUS EVOLVEMENT OF CORPORATE GOVERNANCE

The Company will investigate the development of corporate governance practices with reference to the world's leading institutions, relevant regulations by the regulatory bodies and the expectation of the investors. The Company will also review and enhance the corporate governance procedures and practices from time to time so as to ensure the long-term sustainable development of the Company.

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements of the Company and the Group for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 35 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The Group's loss for the year ended 31 December 2012 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 34 to 84.

The board do not recommend the payment of any dividend in respect of the year (2011: Nil).

SUMMARY OF FINANCIAL INFORMATION

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

Results

	Year ended 31 December				
	2012	2011	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**3,462,290**	2,724,330	2,614,184	2,575,279	1,324,975
Cost of sales	**(3,417,379)**	(2,680,539)	(2,573,094)	(2,512,715)	(1,297,743)
Gross profit	**44,911**	43,791	41,090	62,564	27,232
Other income	**577**	226	1,945	226	8,378
Distribution and selling expenses	**(9,956)**	(8,451)	(7,356)	(6,808)	(2,792)
Administrative expenses	**(34,798)**	(15,662)	(10,607)	(12,864)	(9,837)
Finance costs	**(8,014)**	(6,449)	(4,697)	(17,248)	(15,279)
Profit (Loss) before tax	**(7,280)**	13,455	20,375	25,870	7,702
Income tax expenses	**(2,800)**	(2,984)	(3,174)	(4,403)	(2,000)
Profit (Loss) for the year	**(10,080)**	10,471	17,201	21,467	5,702
Attributable to:					
Equity holders of the Company	**(10,080)**	10,471	17,201	21,467	5,702

REPORT OF THE DIRECTORS

Assets and Liabilities

	31 December				
	2012	2011	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**918,571**	516,615	566,370	803,376	951,885
Total liabilities	**(880,560)**	(468,524)	(535,105)	(789,312)	(959,288)
Total equity	**38,011**	48,091	31,265	14,064	(7,403)

PLANT AND EQUIPMENT

Details of movements in the plant and equipment 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 28 and 29 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, SALE AND REDEMPTION OF THE COMPANY'S LISTING SECURITIES

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

PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the directors of the Company, as at the latest practicable date prior to the issue of this report, there is sufficient public float in the issued share capital of the Company pursuant to the GEM Listing Rules.

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.

REPORT OF THE DIRECTORS

DISTRIBUTABLE RESERVES

At 31 December 2012, the Company did not have any reserves available for distribution, other than the Company's share premium account, in the amount of approximately HK$34.49 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 58.98% of the total sales for the year and sales to the largest customer included therein amounted to approximately 38.99%. Purchases from the Group's five largest suppliers accounted for approximately 59.90% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 23.86%.

Whereas four customers and one supplier were subsidiaries of Sichuan Changhong, the sales and purchase accounted for approximately 17.00% and 9.85% of the total sales and purchase respectively for the year. Also Sichuan Changhong was one of the largest customer and supplier which accounted for approximately 38.99% and 23.86% of the total sales and purchases respectively.

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.

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 2012.

REPORT OF THE DIRECTORS

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 (resigned on 6/3/2012)
Mr. RONG Dong

Independent non-executive directors:

Mr. Jonathan CHAN Ming Sun
Mr. Robert IP Chun Chung
Mr. SUN Dongfeng
Mr. CHENG Yuk Kin (appointed on 27/11/2012)

In accordance with clause 86 of the Company's Bye-laws, Mr. Robert IP Chun Chung, Mr. SUN Dongfeng, Mr. Yu Xiao and Mr. Tang Yun 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 5 to 7 of the annual report.

DIRECTORS' SERVICE CONTRACTS

All directors (including directors proposed for re-election at the forthcoming annual general meeting) have not entered into any 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 the term without payment of compensation, other than statutory compensation.

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.

REPORT OF THE DIRECTORS

INTERESTS OF THE DIRECTORS IN THE COMPANY

As at 31 December 2012, 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. Ji Long Fen, David ("Mr. Ji")	22,260,000	Beneficial owner	Personal	6.67

Note:

(1) On 20 January 2012, Mr. Ji's interest decreased to 6.67% after he sold 22,260,000 Shares to Mr. Yu Shaobo. Mr. Ji's interests further decreased to 4.75% upon the completion of the CH Jiahua Acquisition on 22 January 2013.

Save as disclosed above, 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 announcement.

REPORT OF THE DIRECTORS

INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS IN THE COMPANY

As at 31 December 2012, 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 %
Sichuan Changhong and its subsidiaries *(note (a))*	Directly beneficially owned	111,368,000	33.34
Sichuan Investment Management Company Limited *(note (b))*	Directly beneficially owned	83,009,340	24.85
Mr. Ji *(note (c))*	Directly beneficially owned	22,260,000	6.67
Ms. Liu Ru Ying *(note (d))*	Through spouse	22,260,000	6.67
Mr. Yu Shaobo	Directly beneficially owned	22,260,000	6.67

Note

(a) Sichuan Changhong had an interest in an aggregate of 111,368,000 Shares, of which it directly owns 95,368,000 Shares and its wholly-owned subsidiary, Changhong (Hong Kong) Trading Limited owns 16,000,000 Shares. As at the completion of the CH Jiahua Acquisition on 22 January 2013, Sichuan Changhong held 95,368,000 Shares, Changhong (Hong Kong) Trading Limited held 16,000,000 Shares and Fit Generation Holding Limited (an indirect wholly-owned subsidiary of Sichuan Changhong) held 135,000,000 Shares and the interest of Sichuan Changhong and its subsidiary increased to 52.53%.

(b) As at the completion of the CH Jiahua Acquisition on 22 January 2013, the interest of Sichuan Investment Management Company Limited decreased to 17.70%.

(c) On 20 January 2012, Mr. Ji's interest decreased to 6.67% after he sold 22,260,000 Shares to Mr. Yu Shaobo. Mr. Ji's interests further decreased to 4.75% upon the completion of the CH Jiahua Acquisition on 22 January 2013.

(d) 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 22,260,000 shares in which Mr. Ji is interested.

REPORT OF THE DIRECTORS

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.

DIRECTOR'S INTEREST IN A COMPETING BUSINESS

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".

Sichuan Changhong is a substantial shareholder of the Company which incorporated in the PRC and is listed in Shanghai Stock Exchange. Sichuan 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.

CORPORATE GOVERNANCE RELATING TO THE DEED OF NON-COMPETITION

Pursuant to the CH Jiahua Acquisition, a deed of non-competition was entered into between Sichuan Changhong, Sichuan Changhong Electronics Group Co., Ltd. and Fit Generation Holdings Limited, the controlling shareholders of the Company and the Company on 7 December 2012 to eliminate the competition between the Group and Sichuan Changhong and its shareholder, Sichuan Changhong Electronics Group Co., Ltd, with effect from completion of the CH Jiahua Acquisition. (Please refer to the section headed "Relationship with the Controlling Shareholders – Non-compete Undertakings" of the Circular for further details about the deed of non-competition).

REPORT OF THE DIRECTORS

CONTINUING CONNECTED TRANSACTIONS

During the year 2012, 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 Sichuan Changhong, our controlling shareholder, in relation to the supply of electronic products and components to Sichuan Changhong and its subsidiaries. For the year ended 31 December 2012, the transactions amount under the Master Supply Agreement is subject to a cap of HK$2,528,900 million (2011: HK$2,299.00 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 2012, the sale made under the Master Supply Agreement amounted to HK$2,155.90 million (2011: HK$1,991.26 million) in total. The Master Supply Agreement expired on 31 December 2012.

On 7 December 2012, a new master supply agreement (the "New Master Supply Agreement") commencing on the completion of the CH Jiahua Acquisition to 31 December 2015 has been entered between the Company and Sichuan Changhong to replace the existing Master Supply Agreement, details of which are referred to in the Circular dated 12 December 2012 and the New Master Supply Agreement and the relevant annual caps have been approved by the independent shareholders at the special general meeting dated 8 January 2013.

(b) Master Purchase Agreement

On 20 November 2009, the Company entered into framework agreement ("Master Purchase Agreement") with Sichuan Changhong, our controlling shareholder, in relation to the purchase of consumer electronic products from Sichuan Changhong and its subsidiaries. For the year ended 31 December 2012, the transactions amount under the Master Purchase Agreement is subject to a cap of HK$1,663.75 million (2011: HK$1,512.50 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 2012, the purchase made under the Master Purchase Agreement amounted to HK$1,210.74 million (2011: HK$924.26 million) in total. The Master Purchase Agreement expired on 31 December 2012.

On 7 December 2012, a new master purchase agreement (the "New Master Purchase Agreement") commencing on the completion of the CH Jiahua Acquisition to 31 December 2015 has been entered between the Company and Sichuan Changhong to replace the existing Master Purchase Agreement, details of which are referred to in the Circular dated 12 December 2012 and the New Master Purchase Agreement and the relevant annual caps have been approved by the independent shareholders at the special general meeting dated 8 January 2013.

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 2012, 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.

REPORT OF THE DIRECTORS

AUDITOR

The financial statements of the Group for the year ended 31 December 2012 were audited by Messrs. Shinewing who shall retire and, being eligible, offer themselves for re-appointment.

For and on behalf of the Board

YU Xiao
Chairman

Hong Kong
26 March 2013

INDEPENDENT AUDITOR'S REPORT

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

TO THE SHAREHOLDERS OF CHANGHONG JIAHUA HOLDINGS LIMITED

(FORMERLY KNOWN AS CHINA DATA BROADCASTING HOLDINGS LIMITED)
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Changhong Jiahua Holdings Limited (formerly known as China Data Broadcasting Holdings Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 84, which comprise the consolidated statement of financial position as at 31 December 2012, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of 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 our agreed terms of engagement, 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 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 2012 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

Hong Kong
26 March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	NOTES	2012 HK$'000	2011 HK$'000
Turnover	7	**3,462,290**	2,724,330
Cost of sales		**(3,417,379)**	(2,680,539)
Gross profit		**44,911**	43,791
Other income	8	**577**	226
Distribution and selling expenses		**(9,956)**	(8,451)
Administrative expenses		**(34,798)**	(15,662)
Finance costs	10	**(8,014)**	(6,449)
(Loss) profit before tax		**(7,280)**	13,455
Income tax expenses	12	**(2,800)**	(2,984)
(Loss) profit and total comprehensive (expense) income for the year attributable to owners of the Company	14	**(10,080)**	10,471
(Loss) earnings per share	16		
Basic		**(3.02) cents**	3.19 cents
Diluted		**(3.02) cents**	3.19 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	NOTES	2012 HK$'000	2011 HK$'000
Non-current asset			
Plant and equipment	17	**227**	394
Current assets			
Trade and bills receivables	18	**690,117**	392,574
Trade deposits paid	19	**4,416**	47,399
Prepayments, deposits and other receivables	20	**577**	594
Amounts due from related companies	21	**69**	69
Tax recoverable		**152**	230
Pledged bank deposits	22	**–**	3,467
Bank balances and cash	22	**223,013**	71,888
		918,344	516,221
Current liabilities			
Trade and bills payables	23	**463,824**	311,909
Other payables	24	**13,334**	4,828
Customer deposits	25	**169,800**	52,339
Amount due to a director	26	**5**	5
Tax liabilities		**4,928**	4,928
Borrowings	27	**228,669**	94,515
		880,560	468,524
Net current assets		**37,784**	47,697
Total assets less current liabilities		**38,011**	48,091
Capital and Reserves			
Share capital	28	**8,350**	8,350
Reserves		**29,661**	39,741
Equity attributable to owners of the Company		**38,011**	48,091

The consolidated financial statements on pages 34 to 84 were approved and authorised for issue by the Board of Directors on 26 March 2013 and are signed on its behalf by:

Director *Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Share capital *HK$'000*	Share premium *HK$'000*	(Accumulated losses)/ retained earnings *HK$'000*	Total *HK$'000*
At 1 January 2011	7,950	28,537	(5,222)	31,265
Total comprehensive income for the year	–	–	10,471	10,471
Share issued	400	7,600	–	8,000
Transaction costs attributable to issue of shares	–	(1,645)	–	(1,645)
At 31 December 2011 and 1 January 2012	8,350	34,492	5,249	48,091
Total comprehensive expense for the year	–	–	(10,080)	(10,080)
At 31 December 2012	8,350	34,492	(4,831)	38,011

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	2012 *HK$'000*	2011 *HK$'000*
OPERATING ACTIVITIES		
(Loss) profit before tax	**(7,280)**	13,455
Adjustments for:		
Depreciation for plant and equipment	**192**	196
Gain on disposal of plant and equipment	**(1)**	(18)
Interest income	**(12)**	(83)
Finance costs	**8,014**	6,449
Operating cash flows before movements in working capital	**913**	19,999
Decrease in inventories	**–**	706
Increase in trade and bills receivables	**(297,543)**	(1,372)
Decrease in trade deposits paid	**42,983**	75,974
Decrease (increase) in prepayments, deposits and other receivables	**17**	(74)
Increase in trade and bills payables	**151,915**	105,784
Increase (decrease) in other payables	**8,506**	(1,773)
Increase in customer deposits	**117,461**	22,206
Cash generated from operations	**24,252**	221,450
Hong Kong Profits Tax paid	**(2,722)**	(1,985)
NET CASH FROM OPERATING ACTIVITIES	**21,530**	219,465
INVESTING ACTIVITIES		
Withdrawal of pledged bank deposits	**3,467**	–
Interest received	**12**	83
Proceeds on disposal of plant and equipment	**6**	128
Purchases of plant and equipment	**(30)**	(309)
Placement of pledged bank deposits	**–**	(1,123)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**3,455**	(1,221)
FINANCING ACTIVITIES		
Repayment to a director	**–**	(36)
Net borrowings from (repaid on) discounted bills with recourse	**134,154**	(116,250)
Repayment of loan from a fellow subsidiary	**–**	(76,512)
Interest paid	**(8,014)**	(6,449)
Proceeds from issue of shares	**–**	6,355
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**126,140**	(192,892)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**151,125**	25,352
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**71,888**	46,536
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**223,013**	71,888

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

1. GENERAL INFORMATION

Changhong Jiahua Holdings Limited (formerly known as 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, the directors consider that HKD is preferable in presenting the operating result and financial position of the Group.

During the year ended 31 December 2012, Sichuan Changhong Electronic Co., Limited ("Sichuan Changhong"), a company incorporated in the People's Republic of China (the "PRC") and listed on Shanghai Stock Exchange has obtained the control over the board of directors of the Company. In the opinion of the directors, the ultimate holding company of the Company is Sichuan Changhong as at 31 December 2012 and the date of approval of these financial statements by board of directors of the Company.

Pursuant to a special resolution passed at the special general meeting held on 8 January 2013, the English name of the Company was changed from "China Data Broadcasting Holdings Limited" to "Changhong Jiahua Holdings Limited" and the Chinese name of the Company was changed from "中華數據廣播控股有限公司" to "長虹佳華控股有限公司". The "Certificate of Incorporation on Change of Name" was issued by the Register of Companies in Bermuda on 15 January 2013. The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 35 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 to standards and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Disclosures – Transfer of Financial Assets
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets

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

The adoption of these new and revised HKFRSs in the current year has had no material impact on the Group's performance and positions for the current or prior years and/or disclosures set out in these consolidated financial statements.

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

Amendments to HKFRSs	Annual improvements 2009 – 2011 Cycle[2]
Amendments to HKFRS 1	Government Loan[2]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements Disclosure of Interests in Other Entities: Transition Guidance[2]
Amendments to HKFRS 10 HKFRS 12 and HKAS 27	Investment Entities[3]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangments[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
HK (International Financial Reporting Interpretation Committee) – Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2012.
2 Effective for annual periods beginning on or after 1 January 2013.
3 Effective for annual periods beginning on or after 1 January 2014.
4 Effective for annual periods beginning on or after 1 January 2015.

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

Annual Improvements to HKFRSs 2009 – 2011 Cycle issued in June 2012

The Annual Improvements to HKFRSs 2009 – 2011 Cycle include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include the amendments to HKAS 16 Property, Plant and Equipment and the amendments to HKAS 32 Financial Instruments: Presentation.

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The directors do not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements.

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. The directors anticipate that the amendments to HKAS 32 will have no effect on the Group's consolidated financial statements as the Group has already adopted this treatment.

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

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

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at 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 reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designed as at fair value through profit or loss, HKFRS 9 requires that 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 recognition 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 of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Previous, under HKAS 39, the entire amount of the change in fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. HK (SIC)-Int 12 Consolidation – Special Purpose Entities with withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC) – Int 13 Jointly Control Entities – Non-monetary Contributions by Venturers will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided all of these five standards are applied at the same time.

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

New and revised standards on consolidation, joint arrangements, associates and disclosures *(Continued)*

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of HKFRS 10 may result in the Group no longer consolidating some of its investees. The directors anticipate that the application of these five standards may not have significant impact on the amounts reported in the consolidated financial statements under the current group structure.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

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

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.

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 assets.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and 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 in full on consolidation.

Plant and equipment

Plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and accumulated impairment losses, if any. Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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 debt instrument 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 and point 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 debt instrument, 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, amounts due from related companies and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment losses (see accounting policy on impairment loss 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 considered to be impaired when 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 investment have been affected.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(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
- 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, in addition, 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, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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, amounts due from related companies, where the carrying amount is reduced through the use of an allowance account. Changes in carrying amount of the allowance account is reduced through the use of an allowance account. When trade and bills receivables, other receivables and amounts due from related companies 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

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Other financial liabilities

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

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 (including all fees and points 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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition *(Continued)*

On derecognition of a financial asset in its entirety, 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 and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount 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, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the good sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are recognised 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 exchange prevailing at 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.

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) using exchange rates prevailing at the end of each reporting period. Income and expenses items 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 under the heading of 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 lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 before tax' 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 deferred tax 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.

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.

Current and deferred tax are 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 current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit and loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 (or a cash-generating unit) 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 other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in-first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

Bank balances and cash in the consolidated financial statement comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

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, directors of 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 trade and bills 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. As at 31 December 2012, the carrying amount of trade and bills receivables is approximately HK$690,117,000 (2011: HK$392,574,000).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes borrowings, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Group is not subject to any externally imposed capital requirements.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2012	2011
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**913,676**	468,490
Financial liabilities		
At amortised cost	**705,832**	411,257

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, deposits and other receivables, amounts due from related companies, pledged bank deposits and bank balances and cash, trade and bills payables, other payables, amount due to a director 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 6% (2011: 11%) of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sales, whilst almost 94% (2011: 89%) of cost are denominated in the group entity's functional currency.

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	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
HKD	**7,017**	1,320	**7,298**	1,238
Euro ("EUR")	**164,499**	129,663	**150,137**	121,792
Australian Dollars ("AUD")	**26,180**	55,633	**32,044**	53,531

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% (2011: 10%) increase and decrease in USD against the relevant foreign currencies. 10% (2011: 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% (2011: 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 a decrease in post-tax loss (2011: an increase in post-tax profit) where USD strengthen 10% (2011: 10%) against the relevant currency. For a 10% (2011: 10%) weakening of USD against the relevant currency, there would be an equal and opposite impact on the profit or loss, and the balances below would be negative.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Currency risk *(Continued)*

Sensitivity analysis (Continued)

	HKD Impact		EUR impact		AUD Impact	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Profit or loss	**23**	(7)	**(1,199)**	(657)	**489**	(176)

Interest rate risk

The Group's fair value interest-rate risk relates primarily to fixed rate borrowings from a related party (see note 27 for details of the borrowings). 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's cash flow interest rate risk relates primarily to variable-rate short-term bank balances (see note 22 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 analysis below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. 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 (2011: 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 2012, if interest rates on bank balances had been 100 basis points (2011: 100 basis points) higher/lower and all other variables were held constant, post-tax loss for the year ended 31 December 2012 would decrease/increase by HK$2,230,000 (2011: HK$718,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate short-term bank balances.

Credit risk

As at 31 December 2012, 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.

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 the 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 Group has concentration of credit risk as 43% (2011: 26%) and 85% (2011: 85%) of the total trade and bills receivables were due from the Group's largest customer and the five largest customers respectively which are mainly located in the PRC and include the ultimate holding company and the fellow subsidiaries of the Company.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

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 borrowings and ensures compliance with loan covenants.

The Group currently relies on borrowings as a significant source of liquidity. As at 31 December 2012 and 2011, the Group had no available unutilised overdraft nor short-term bank loan facilities.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

	Repayable on demand or less than 1 month HK$'000	1-3 months HK$'000	Over 3 months but less than 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31/12/2012 HK$'000
2012					
Non-derivative financial liabilities					
Trade and bills payables	463,824	–	–	463,824	463,824
Other payables	13,334	–	–	13,334	13,334
Amount due to a director	5	–	–	5	5
Borrowings	–	159,470	69,535	229,005	228,669
	477,163	159,470	69,535	706,168	705,832

	Repayable on demand or less than 1 month HK$'000	1-3 months HK$'000	Over 3 months but less than 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31/12/2011 HK$'000
2011					
Non-derivative financial liabilities					
Trade and bills payables	311,909	–	–	311,909	311,909
Other payables	4,828	–	–	4,828	4,828
Amount due to a director	5	–	–	5	5
Borrowings	31,294	14,764	49,034	95,092	94,515
	348,036	14,764	49,034	411,834	411,257

(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.

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

	2012	2011
	HK$'000	*HK$'000*
Bank interest income	**12**	83
Referral income	**67**	–
Gain on disposal of plant and equipment	**1**	18
Exchange gain, net	**194**	–
Others	**303**	125
	577	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 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.

9. SEGMENT INFORMATION *(Continued)*

Geographical information

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

	2012	2011
	HK$'000	*HK$'000*
People's Republic of China	**1,915,168**	1,670,727
Europe	**468,909**	407,603
South America	**329,176**	181,644
Hong Kong	**258,288**	101,673
Africa	**89,020**	24,978
Middle East	**78,835**	76,040
Australia	**48,955**	96,419
Other Asian District	**273,939**	165,246
	3,462,290	2,724,330

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

Information about major customer

Revenue from customer of the corresponding years contributing over 10% of the total sales of the Group is as follow:

	2012	2011
	HK$'000	*HK$'000*
Sichuan Changhong	**1,349,932**	1,134,478

10. FINANCE COSTS

	2012 *HK$'000*	2011 *HK$'000*
Interest on:		
Bank borrowings wholly repayable within 5 years	**6,639**	3,868
Loan from a fellow subsidiary wholly repayable within 5 years	**1,375**	2,581
	8,014	6,449

11. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2012, nor has any dividend been proposed since the end of the reporting period (2011: Nil).

12. INCOME TAX EXPENSES

	2012 *HK$'000*	2011 *HK$'000*
Hong Kong Profits Tax		
– Current tax	**2,800**	2,964
– Under provision in prior year	**–**	20
	2,800	2,984

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 (loss) profit before tax per the consolidated statement of comprehensive income as follow:

	2012 *HK$'000*	2011 *HK$'000*
(Loss) profit before tax	**(7,280)**	13,455
Tax at the domestic income tax rate of 16.5% (2011: 16.5%)	**(1,201)**	2,220
Tax effect of income not taxable for tax purpose	**(17)**	(23)
Tax effect of expenses not deductible for tax purpose	**3,712**	658
Tax effect of other deductible temporary differences not recognised	**24**	14
Tax effect of tax losses not recognised	**282**	95
Under provision in respect of prior year	**–**	20
Income tax expenses	**2,800**	2,984

13. DEFERRED TAXATION

At the end of the reporting period, the Group had unused tax losses and other deductible temporary differences of approximately HK$25,741,000 (2011: HK$24,032,000) and HK$760,000 (2011: HK$614,000) respectively available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognised in respect of unused tax loss and other deductible temporary differences due to the unpredictability of future profit streams.

14. (LOSS) PROFIT FOR THE YEAR

(Loss) profit for the year has been arrived at after charging:

	2012 HK$'000	2011 HK$'000
Depreciation for plant and equipment	**192**	196
Auditor's remuneration	**940**	940
Cost of inventories recognised as an expense	**3,417,379**	2,680,539
Staff costs, including directors' emoluments *(note 15a)*		
– Salaries and related staff costs	**9,355**	8,158
– Retirement benefits scheme contributions	**156**	160
	9,511	8,318
Minimum lease payments in respect of rented premises	**1,591**	1,276
Exchange loss, net	**–**	735

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 2012

	Fees	Salaries and allowances	Retirement benefits scheme contributions	Performance related incentive payments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$000*	*HK$'000*
Executive directors					
Mr. David Ji Long Fen	–	240	–	–	240
Ms. Shi Ping	–	–	–	–	–
Mr. Tang Yun	–	878	14	554	1,446
Mr. Wang Zhenhua[1]	60	61	–	–	121
Mr. Xiang Chao Yang	120	–	–	–	120
Mr. Yu Xiao	–	–	–	–	–
Mr. Wu Xiangtao	–	380	9	263	652
Mr. Rong Dong	–	535	14	302	851
Independent non-executive directors					
Mr. Jonathan Chan Ming Sun	195	–	–	–	195
Mr. Robert Ip Chun Chung	180	–	–	–	180
Mr. Sun Donfeng	180	–	–	–	180
Mr. Cheng Yuk Kin[2]	17	–	–	–	17
	752	2,094	37	1,119	4,002
Senior Management					
Mr. Lee Wing Lun	–	534	14	120	668
Mr. Liu Jianhua	–	481	14	333	828
	–	1,015	28	453	1,496

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For the year ended 31 December 2012

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

(a) Directors' emoluments *(Continued)*

For the year ended 31 December 2011

	Fees	Salaries and allowances	Retirement benefits scheme contributions	Performance related incentive payments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$000*	*HK$'000*
Executive directors					
Mr. David Ji Long Fen	–	240	–	–	240
Ms. Shi Ping	–	–	–	–	–
Mr. Tang Yun	–	1,238	12	60	1,310
Mr. Wang Zhenhua[1]	–	54	–	–	54
Mr. Xiang Chao Yang	–	54	–	–	54
Mr. Yu Xiao	–	–	–	–	–
Mr. Wu Xiangtao	–	486	12	56	554
Mr. Rong Dong	–	373	7	–	380
Independent non-executive directors					
Mr. Jonathan Chan Ming Sun	180	–	–	–	180
Mr. Robert Ip Chun Chung	180	–	–	–	180
Mr. Sun Donfeng	180	–	–	–	180
	540	2,445	31	116	3,132
Senior Management					
Mr. Lee Wing Lun	–	516	12	4	532
Mr. Liu Jianhua	–	399	12	178	589
	–	915	24	182	1,121

[1] Resigned on 6 March 2012.

[2] Appointed on 27 November 2012.

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

(a) Directors' emoluments *(Continued)*

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. In the year ended 31 December 2012 and 2011, two directors, Ms. Shi Ping and Mr. Yu Xiao, waived emoluments of HK$60,000 each (2011: HK$60,000 each). In the year ended 31 December 2012, a director, Mr. Wu Xiangtao, waived emoluments of HK$199,000 (2011: nil).

Mr. Tang Yun is also the managing director of the Company and his emoluments disclosed above include those for services rendered by him as the managing director.

(b) Employee's emoluments

The five highest paid individuals in the Group during the year included three (2011: two) directors whose emolument is included in the analysis presented above. The emoluments of the remaining two (2011: three) individuals are set out below:

	2012	2011
	HK$'000	*HK$'000*
Salaries and allowances	**1,015**	1,475
Performance related incentive payments	**453**	182
Retirement benefits scheme contributions	**28**	24
	1,496	1,681

The emoluments of the remaining two (2011: three) individuals for the year ended 31 December 2012 fall within the band of less than HK$1,000,000.

16. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share attributable to the owners of the Company is based on the following data:

	2012	2011
	HK$'000	*HK$'000*
(Loss) earnings		
(Loss) profit attributable to owners of the Company for the purpose of basis and diluted (loss) earnings per share	**(10,080)**	10,471

	2012	2011
	'000	*'000*
Number of Share		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**334,000**	328,258

As there were no dilutive potential shares during the two years ended 31 December 2012 and 2011, the diluted (loss) earnings per share is the same as basic (loss) 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 2011	437	429	368	1,234
Additions	75	234	–	309
Disposals	–	(128)	–	(128)
At 31 December 2011 and 1 January 2012	**512**	**535**	**368**	**1,415**
Additions	**30**	**–**	**–**	**30**
Disposals	**(12)**	**–**	**–**	**(12)**
At 31 December 2012	**530**	**535**	**368**	**1,433**
DEPRECIATION				
At 1 January 2011	286	429	128	843
Charge for the year	58	28	110	196
Disposals	–	(18)	–	(18)
At 31 December 2011 and 1 January 2012	**344**	**439**	**238**	**1,021**
Charge for the year	**60**	**20**	**112**	**192**
Disposals	**(7)**	**–**	**–**	**(7)**
At 31 December 2012	**397**	**459**	**350**	**1,206**
CARRYING VALUES				
At 31 December 2012	**133**	**76**	**18**	**227**
At 31 December 2011	168	96	130	394

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. TRADE AND BILLS RECEIVABLES

Included in the balance are amounts due from fellow subsidiaries of the Company of approximately HK$389,109,000 (2011: HK$275,680,000) and amount due from the ultimate holding company of the Company of approximately HK$234,747,000 (2011: HK$98,469,000).

The Company allows an average credit period of 30-90 days and 30-120 days (2011: 30-90 days and 30-120 days) to its third party and related party trade customers respectively. Before accepting any new customer, the Company assesses the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. 68% (2011: 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 Company. The Company does not hold any collateral over these balances.

Included in the Company's trade and bills receivable balance are debtors with aggregate carrying amount of approximately HK$214,867,000 (2011: HK$147,285,000) which were past due at the reporting date for which the Company 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 Company does not hold any collateral over these balances.

	2012	2011
	HK$'000	*HK$'000*
Within 30 days	**187,542**	76,059
31 – 60 days	**271,687**	65,066
61 – 90 days	**37,560**	60,830
91 – 180 days	**155,113**	177,534
181 – 365 days	**38,215**	11,699
Over 1 year	**–**	1,386
	690,117	392,574

18. TRADE AND BILLS RECEIVABLES *(Continued)*

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

	2012	2011
	HK$'000	*HK$'000*
Within 30 days	**103,833**	87,487
31 – 60 days	**62,347**	41,282
61 – 90 days	**14,404**	5,066
91 – 180 days	**31,384**	11,113
Over 180 days	**2,899**	2,337
	214,867	147,285

As 31 December 2012, the carrying amount of the trade receivables which have been pledged as security for the borrowing is HK$223,614,000 (2011: HK$61,205,000). The carrying amount of the associated liability is HK$189,919,000 (2011: HK$55,765,000) as set out in note 27.

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

	2012	2011
	HK$'000	*HK$'000*
EUR	**128,140**	124,436
AUD	**25,174**	254,697
HKD	**2**	2

19. TRADE DEPOSITS PAID

Included in the balance for the year ended 31 December 2011 were amounts paid to Sichuan Changhong, the ultimate holding company of the Company, and a company under its control of HK$30,708,000 (2012: nil) in aggregate.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

At 31 December 2012, included in prepayments, deposits and other receivables is an amount of approximately HK$547,000 (2011: HK$594,000) which is denominated in HKD which represented currency other than the functional currency of the Group.

21. 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 31/12/2012	Balance at 31/12/2011	Maximum amount outstanding during the year
		HK$'000	*HK$'000*	*HK$'000*
Apex Digital Inc. (Incorporated in USA) ("ADIUSA") *(Note)*	Unsecured, interest free and repayable on demand	**65**	65	65
Apex Digital (Shanghai) Co., Ltd ("ADSH") *(Note)*	Unsecured, interest free and repayable on demand	**4**	4	4
		69	69	

At 31 December 2012, the amounts of approximately HK$69,000 (2011: HK$69,000) are denominated in HKD, which represented currency other than the functional currency of the Group.

Note:

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

22. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

	2012 HK$'000	2011 HK$'000
Pledged bank deposits	–	3,467
Bank balances and cash	223,013	71,888
	223,013	75,355

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

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

	2012 HK$'000	2011 HK$'000
HKD	6,399	655
AUD	1,006	936
EUR	36,359	5,227

At 31 December 2012 and 2011, pledged bank deposits were pledged to secure general banking facilities granted to the Group and did not carry any interest rate.

The pledged bank deposits had been released upon the settlement of relevant borrowings during the year.

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23. TRADE AND BILLS PAYABLES

Included in the balance are amount due to the ultimate holding company of the Company of approximately HK$198,113,000 (2011: HK$34,758,000) and amounts due to the fellow subsidiaries of the Company of approximately HK$110,327,000 (2011: HK$203,883,000). The ageing analysis of trade and bills payables, based on the date of receipt of goods, is as follows:

	2012 HK$'000	2011 HK$'000
Within 30 days	**251,015**	50,821
31 – 60 days	**101,307**	55,965
61 – 90 days	**34,060**	62,369
91 – 180 days	**33,444**	121,101
181 – 365 days	**34,714**	21,540
Over 1 year	**9,284**	113
	463,824	311,909

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

	2012 HK$'000	2011 HK$'000
EUR	**150,137**	119,388
AUD	**32,044**	53,531

The average credit period on purchase of goods is 30 – 120 days (2011: 30 – 120 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

24. OTHER PAYABLES

Included in the balance are amounts due to the fellow subsidiaries of the Company of approximately HK$3,380,000 (2011: HK$794,000).

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

	2012	2011
	HK$'000	*HK$'000*
HKD	**7,293**	1,233
EUR	**–**	2,404

25. CUSTOMER DEPOSITS

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

	2012	2011
	HK$'000	*HK$'000*
HKD	**–**	2,400

26. AMOUNT DUE TO A DIRECTOR

The amount due to a director of the Company, Mr. David Ji Long Fen, amounting to HK$5,000 (2011: HK$5,000), is unsecured, interest free and repayable on demand. This amount is denominated in HKD, which represented currency other than functional currency of the Group.

27. BORROWINGS

	2012	2011
	HK$'000	*HK$'000*
Loan from a fellow subsidiary	**38,750**	38,750
Bank loans on bills discounted with recourse	**189,919**	55,765
	228,669	94,515
Secured	**189,919**	55,765
Unsecured	**38,750**	38,750
	228,669	94,515
Carrying amount repayable:		
On demand or within one year	**228,669**	94,515

Loan from a fellow subsidiary was advanced by Changhong (Hong Kong) Trading Limited. The balance is unsecured, bearing interest at fixed rate at 3.5% (2011: 3.5%) per annum. The balance is extended to and is repayable in June 2013 (2011: repayable in June 2012).

At 31 December 2012, bank loans on bills discounted with recourse with a carrying amount of HK$189,919,000 (2011: HK$55,765,000) are secured by trade receivables with the carrying value of HK$223,614,000 (2011: HK$61,205,000) as set out in note 18. The range of effective interest rates (which are also equal to contracted interest rates) due in the Group's borrowing for the year ended 31 December 2012 are fixed from 2.5% to 3% (2011: 1.5% to 2%).

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28. SHARE CAPITAL

	Number of shares	*HK$'000*
Ordinary shares of HK$0.025 each		
Authorised:		
1 January 2011, 31 December 2011 and 31 December 2012	1,200,000,000	30,000
Issued and fully paid:		
At 1 January 2011	318,000,000	7,950
Issue of shares (note)	16,000,000	400
At 31 December 2011 and 31 December 2012	334,000,000	8,350

Note:

On 12 May 2011, the Company issued and allotted a total of 16,000,000 shares of HK$0.5 each in the Company at par to Changhong (Hong Kong) Trading Limited. The new shares rank pari passu with the existing shares in all respects.

29. 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 2012 and 2011, no option under the Scheme had been granted to any person, nor was there any outstanding option granted under the Scheme in issue.

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2012 *HK$'000*	2011 *HK$'000*
Non-current assets		
Plant and equipment	**–**	–
Investments in subsidiaries	**100**	100
	100	100
Current assets		
Prepayments, deposits and other receivables	**100**	100
Amounts due from subsidiaries (Note a)	**4,360**	45
Tax recoverable	**–**	20
Bank balances and cash	**5,867**	102
	10,327	267
Current liabilities		
Other payables	**4,337**	1,010
Amounts due to subsidiaries (Note a)	**1,360**	10,486
	5,697	11,496
Net current assets (liabilities)	**4,630**	(11,229)
	4,730	(11,129)
Capital and reserves		
Share capital	**8,350**	8,350
Share premium and reserves (Note b)	**(3,620)**	(19,479)
	4,730	(11,129)

30. 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 2011	28,537	(49,681)	(21,144)
Loss for the year	–	(4,290)	(4,290)
Transaction costs directly attributable to issue shares	(1,646)	–	(1,646)
Share issued	7,601	–	7,601
At 31 December 2011 and 1 January 2012	**34,492**	**(53,971)**	**(19,479)**
Loss for the year	**–**	**(24,221)**	**(24,221)**
Dividend received from a subsidiary	**–**	**40,080**	**40,080**
At 31 December 2012	**34,492**	**(38,112)**	**(3,620)**

31. OPERATING LEASE COMMITMENTS

The Group as lessee:

	2012 ***HK$'000***	2011 *HK$'000*
Minimum lease payments under operating lease during the year	**1,591**	1,276

31. OPERATING LEASE COMMITMENTS *(Continued)*

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:

	2012 *HK$'000*	2011 *HK$'000*
Within one year	**1,155**	1,494
In the second to fifth years, inclusive	**63**	1,212
	1,218	2,706

Leases are negotiated and rentals are fixed for terms of 2 to 3 years (2011: 2 to 3 years).

32. 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 2012, contributions of the Group under the MPF Scheme amounted to approximately HK$156,000 (2011: HK$160,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

33. 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	*Notes*	Nature of transaction	**2012** **HK$'000**	2011 HK$'000
Ultimate holding company of the Company				
Sichuan Changhong	*(ii)*	Sales of goods	**1,349,932**	1,134,478
	(ii)	Purchases of goods	**814,981**	511,722
Fellow subsidiaries of the Company				
Changhong Electric (Australia) Pty., Ltd.	*(ii)*	Sales of goods	**47,102**	95,536
Changhong Electric Middle East Fze	*(ii)*	Sales of goods	**6,004**	1,167
Guangdong Changhong Electronics Co., Ltd.	*(ii)*	Sales of goods	**250,770**	234,577
	(ii)	Purchases of goods	**336,447**	351,846
		Sales commission	**277**	–
Sichuan Changhong Component Technology Co., Ltd.	*(ii)*	Sales of goods	**13,994**	25,405
Sichuan Changhong Network Technologies Co., Ltd.	*(ii)*	Sales of goods	**146,301**	170,380
	(ii)	Purchases of goods	**–**	8,922
Changhong Europe Electric S.R.O	*(ii)*	Sales of goods	**191,379**	212,471
PT. Changhong Electric Indonesia	*(ii)*	Sales of goods	**68,114**	72,718
Sichuan Hongrui Electronic Co. Ltd.	*(ii)*	Sales of goods	**13,917**	25,126
Hefei Changhong Industry Co. Ltd.	*(ii)*	Sale of goods	**43,605**	17,278

33. RELATED PARTY TRANSACTIONS *(Continued)*

(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: *(Continued)*

Name of company	Notes	Nature of transaction	2012 HK$'000	2011 HK$'000
Fellow subsidiaries of the Company				
Changhong Ruba Trading Company (PVT) Limited	(ii)	Sales of goods	22,500	2,126
Sichuan COC Display Devices Co. Ltd.	(ii)	Purchase of goods	47,559	51,750
Guangdong Changhong Digital Technology Co., Ltd.	(ii)	Purchase of goods	–	22
		Rent paid	–	159
Changhong (Hong Kong) Trading Limited	(i)	Interest expense paid	1,375	2,581
	(ii)	Purchases of goods	11,757	–
Changhong (Russia) Electric LLC	(ii)	Sales of goods	1,271	–
四川虹微技術有限公司	(ii)	Sales of goods	1,014	–
Zhongshan Changhong Electric Appliance Co., Ltd.		Sales commission	142	–
深圳長虹科技有限責任公司		Rental expense	124	–
四川長虹物業服務有限責任公司		Building management fee	25	–
Sichuan Chonghong Sinew Technology Co. Ltd		Sales commission	127	–

33. RELATED PARTY TRANSACTIONS *(Continued)*

(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: *(Continued)*

Notes:

(i) Mr. Tang Yun, a director of the Company and Mr. Wu Xiangtao was appointed as a director of the Company since 1 September 2012.

(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.

(b) Compensation of key management personnel

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

	2012	2011
	HK$'000	*HK$'000*
Short-term benefits	**5,433**	4,198
Post-employment benefits	**65**	55
	5,498	4,253

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

34. EVENT AFTER THE REPORTING PERIOD

(a) Acquisition of subsidiary

On 23 April 2012, the Company had entered into the acquisition agreement with Fit Generation Holding Limited (the "Fit Generation") to acquire 100% equity interest of Sufficient Value Group Limited, which is principally engaged in the distribution of IT consumer products and IT corporate products in PRC, at a consideration of HK$2,012,868,000, to be settled in full as to HK$135,000,000 by the allotment and issue of 135,000,000 new ordinary shares at an issue price of HK$1 per new ordinary shares and as to HK$1,877,868,000 by allotment and issue of 1,877,868,000 new convertible preference shares at an issue price of HK$1 per convertible preference share to Fit Generation (the "Acquisition"). The Acquisition has been completed on 22 January 2013.

Details were set out in the circular dated 12 December 2012.

(b) Increase in authorised share capital

On 22 January 2013, in contemplation of the issue and allotment of the new ordinary shares, the new convertible preference shares and the conversion shares, the Company increased its authorised share capital from HK$30,000,000 divided into 1,200,000,000 ordinary shares of HK$0.025 each to HK$200,000,000 divided into 5,000,000,000 ordinary shares of HK$0.025 each and 3,000,000,000 new convertible preference shares of HK$0.025 each.

Details were set out in the circular dated 12 December 2012.

(c) Allotment and issuance of the ordinary shares

On 22 January 2013, the Company has allotted and issued an aggregate of 135,000,000 new ordinary shares of HK$0.025 each at a price of HK$1 per share. The net proceeds of approximately HK$135,000,000 were used to settle a part of consideration of the Acquisition. The new ordinary shares were issued rank pari passu with the existing shares in all respects.

Details were set out in the circular dated 12 December 2012.

(d) Allotment and issuance of the convertible preference shares

On 22 January 2013, the Company has allotted and issued an aggregate of 1,877,868,000 new non-redeemable restricted voting convertible preference shares of HK$0.025 each at a price of HK$1 per share. The net proceeds of approximately HK$1,877,868,000 were used to settle a part of consideration of the Acquisition.

Details were set out in the circular dated 12 December 2012.

35. SUBSIDIARIES

Particulars of the subsidiaries of the Company as at 31 December 2012 are as follows:

Name of subsidiaries	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	Inactive

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