1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2011 AND SIX MONTHS ENDED 30 JUNE 2012

The audited financial statements of the Group for each of the three financial years ended 31 December 2011 are unqualified. No dividends were paid or payable and no exceptional items were noted for each of the three financial years ended 31 December 2009, 2010 and 2011. The auditor of the Group for the three financial years ended 31 December 2009, 2010 and 2011 is SHINEWING (HK) CPA Limited.

The following is a summary of the consolidated financial information of the Group for each of the three financial years ended 31 December 2011 as extracted from the annual reports of the Company for the three years ended 31 December 2009, 2010 and 2011 and six months ended 30 June 2012.

Consolidated Statements of Comprehensive Income

	Year ended 31 December			For six months ended 30 June
	2009	**2010**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)	(Unaudited)
Turnover	2,575,279	2,614,184	2,724,330	1,284,221
Cost of sales	(2,512,715)	(2,573,094)	(2,680,539)	(1,266,619)
Gross profit	62,564	41,090	43,791	17,602
Other income	226	1,945	226	156
Distribution and selling expenses	(6,808)	(7,356)	(8,451)	(3,930)
Administrative expenses	(12,864)	(10,607)	(15,662)	(13,134)
Finance costs	(17,248)	(4,697)	(6,449)	(3,013)
Profit before tax	25,870	20,375	13,455	(2,319)
Income tax expenses	(4,403)	(3,174)	(2,984)	–
Profit for the year/period	21,467	17,201	10,471	(2,319)
Profit and total comprehensive income for the year/period attributable to the owners of the Company	21,467	17,201	10,471	(2,319)
Earnings per share basic and diluted	6.75 cents	5.41 cents	3.19 cents	(0.69) cents

Consolidated Statements of Financial Position

	As at 31 December			For six months ended 30 June
	2009	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)	(Unaudited)
Non-current asset				
Plant and equipment	540	391	394	310
Current assets				
Inventories	8,437	706	–	630
Trade and bills receivables	679,097	391,202	392,574	247,356
Trade deposits paid	9,224	123,373	47,399	84,507
Prepayments, deposits and other receivables	524	520	594	578
Amounts due from related companies	69	69	69	4
Amount due from a director	39	–	–	–
Tax recoverable	–	1,229	230	–
Pledged bank deposits	28,572	2,344	3,467	4,251
Bank balances and cash	76,874	46,536	71,888	171,945
	802,836	565,979	516,221	509,271
Current liabilities				
Trade and bills payables	455,292	206,125	311,909	356,383
Other payables	4,937	6,601	4,828	6,449
Customer deposits	54,534	30,133	52,339	55,012
Amounts due to directors	5	41	5	5
Tax liabilities	7,285	4,928	4,928	7,210
Borrowings	267,259	287,277	94,515	38,750
	789,312	535,105	468,524	463,809
Net current assets	13,524	30,874	47,697	45,462
Total assets less current liabilities	14,064	31,265	48,091	45,772
Capital and Reserves				
Share capital	7,950	7,950	8,350	8,350
Share premium and reserves	6,114	23,315	39,741	37,422
Equity attributable to owners of the Company	14,064	31,265	48,091	45,772

2. AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2011

Set out below are the audited financial statements of the Group for the year ended 31 December 2011 as extracted from the annual report of the Company for the year ended 31 December 2011.

信永中和
ShineWing

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

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

We have audited the consolidated financial statements of China Data Broadcasting Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 29 to 74, which comprise the consolidated statement of financial position as at 31 December 2011, 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 for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2011 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

Hong Kong
26 March 2012

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Turnover	7	2,724,330	2,614,184
Cost of sales		(2,680,539)	(2,573,094)
Gross profit		43,791	41,090
Other income	8	226	1,945
Distribution and selling expenses		(8,451)	(7,356)
Administrative expenses		(15,662)	(10,607)
Finance costs	10	(6,449)	(4,697)
Profit before tax		13,455	20,375
Income tax expenses	12	(2,984)	(3,174)
Profit and total comprehensive income for the year attributable to owners of the Company	14	10,471	17,201
Earnings per share Basic and diluted	16	3.19 cents	5.41 cents

Consolidated Statement of Financial Position
As at 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Non-current asset			
Plant and equipment	17	394	391
Current assets			
Inventories	18	–	706
Trade and bills receivables	19	392,574	391,202
Trade deposits paid	20	47,399	123,373
Prepayments, deposits and other receivables	21	594	520
Amounts due from related companies	22	69	69
Tax recoverable		230	1,229
Pledged bank deposits	23	3,467	2,344
Bank balances and cash	23	71,888	46,536
		516,221	565,979
Current liabilities			
Trade and bills payables	24	311,909	206,125
Other payables	25	4,828	6,601
Customer deposits	26	52,339	30,133
Amounts due to directors	27	5	41
Tax liabilities		4,928	4,928
Borrowings	28	94,515	287,277
		468,524	535,105
Net current assets		47,697	30,874
Total assets less current liabilities		48,091	31,265
Capital and reserves			
Share capital	29	8,350	7,950
Reserves		39,741	23,315
Equity attributable to owners of the Company		48,091	31,265

The consolidated financial statements on pages 29 to 74 were approved and authorised for issue by the Board of Directors on 26 March 2012 and are signed on its behalf by:

YU Xiao
Director

TANG Yun
Director

Consolidated Statement of Changes In Equity
For the year ended 31 December 2011

	Share capital	Share premium	(Accumulated losses)/ retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2010	7,950	28,537	(22,423)	14,064
Total comprehensive income for the year	–	–	17,201	17,201
At 31 December 2010 and 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	8,350	34,492	5,249	48,091

Consolidated Statement of Cash Flows
For the year ended 31 December 2011

	2011	2010
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Profit before tax	13,455	20,375
Adjustments for:		
Depreciation for plant and equipment	196	–
Gain on disposal of plant and equipment	(18)	165
Interest income	(83)	(14)
Finance costs	6,449	4,697
Operating cash flows before movements in working capital	19,999	25,223
Decrease in inventories	706	7,731
(Increase) decrease in trade and bills receivables	(1,372)	287,895
Decrease (increase) in trade deposits paid	75,974	(114,149)
(Increase) decrease in prepayments, deposits and other receivables	(74)	4
Increase (decrease) in trade and bills payables	105,784	(249,167)
(Decrease) increase in other payables	(1,773)	1,664
Increase (decrease) in customer deposits	22,206	(24,401)
Cash generated from (used in) operations	221,450	(65,200)
Hong Kong Profits Tax paid	(1,985)	(6,760)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	219,465	(71,960)
INVESTING ACTIVITIES		
Decrease in amount due from a director	–	39
(Increase) decrease in pledged bank deposits	(1,123)	26,228
Purchases of plant and equipment	(309)	(16)
Interest received	83	14
Proceeds on disposal of property, plant and equipment	128	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(1,221)	26,265
FINANCING ACTIVITIES		
(Decrease) increase in amount due to a director	(36)	36
Net borrowings repaid on discounted bills with recourse	(116,250)	(72,982)
(Repayment of) new loan raised from loan from a related company	(76,512)	93,000
Interest paid	(6,449)	(4,697)
Net proceeds from issue of shares	6,355	–
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(192,892)	15,357
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	25,352	(30,338)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	46,536	76,874
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	71,888	46,536

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

1. GENERAL INFORMATION

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

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

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

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

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

Amendments to HKFRS	Improvements to HKFRS issued in 2010
Hong Kong Accounting Standard ("HKAS") 24 (Revised)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
HK (International Financial Reporting Interpretations Committee) ("IFRIC") – Int 14 Amendment	Prepayments of a Minimum Funding Requirement
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

Except as described below, the application of the new and revised HKFRS had no material effect on the Group's financial performance and positions for the current or prior accounting years and on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 Presentation of Financial Statements
(as part of Improvements to HKFRS issued in 2010)

The amendments to HKAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. In the current year, for each component of equity, the Group has chosen to present such an analysis in the notes to the consolidated financial statements with a single-line presentation of other comprehensive income in the consolidated statement of changes in equity. Such amendments have been applied retrospectively, and hence the disclosures in these consolidated financial statements have been modified to reflect the change.

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 HKFRS 7	Disclosures – Transfers of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[4]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[6]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[3]
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[5]
HKAS 19 (as revised in 2011)	Employee Benefits[4]
HKAS 27 (as revised in 2011)	Separate Financial Statements[4]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[4]
HK (IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2012.
3 Effective for annual periods beginning on or after 1 July 2012.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2014.
6 Effective for annual periods beginning on or after 1 January 2015.

Amendments to HKFRS 7 Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures when transfers of financial assets are not evenly distributed throughout the period.

The directors anticipate that the application of the amendments to HKFRS 7 will affect the Group's disclosures regarding transfers of financial assets in the future.

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 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 amended offsetting disclosures are required 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.

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires 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.

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

The directors 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.

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 and HK (SIC)-Int 12 Consolidation – Special Purpose Entities. 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 and HK (SIC)-Int 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. 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 accounting.

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.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

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. However, the directors have not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.

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.

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 additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (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 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.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

The consolidated financial statements have been prepared in accordance with HKFRS 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 principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

Plant and equipment

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

Inventories

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

Financial instruments

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

Financial assets

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

Effective interest method

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

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

Loans and receivables

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

Impairment on financial assets

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

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

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

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

For financial assets carried at amortised cost, 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.

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

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade and bills receivables, other receivables, amounts due from related companies, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade and bills receivables, other receivables, 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.

Financial liabilities and equity instruments

Financial liabilities 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 entered into and the definitions of a financial liability and an equity instrument.

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Other financial liabilities

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

Equity instruments

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

Derecognition

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.

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 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.

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

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are 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 exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HKD) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity 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 term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Taxation

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

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

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

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 is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Impairment on tangible assets

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (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.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

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

Estimated impairment of 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 2011, the carrying amount of trade and bills receivable is approximately HK$392,574,000 (31 December 2010: carrying amount of approximately HK$391,202,000).

5. CAPITAL RISK MANAGEMENT

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

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

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2011	**2010**
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	468,490	440,571
Financial liabilities		
At amortised cost	411,257	497,527

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

Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 11% (2010: 14%) of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sales, whilst almost 89% (2010: 86%) of cost are denominated in the group entity's functional currency.

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

	Assets		**Liabilities**	
	2011	**2010**	**2011**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
HKD	12,424	3,105	1,217	1,492
Euro ("EUR")	129,663	10,504	119,378	2,633
Australian Dollars ("AUD")	55,633	46,791	53,531	45,520

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% (2010: 10%) increase and decrease in USD against the relevant foreign currencies. 10% (2010: 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% (2010: 10%) change in foreign currency rates. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the functional currency of the Group. A positive number below indicates an increase in post-tax profit where USD strengthen 10% (2010: 10%) against the relevant currency. For a 10% (2010: 10%) weakening of USD against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	HKD impact		EUR impact		AUD impact	
	2011	2010	2011	2010	2011	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit or loss	(936)	(135)	(859)	(647)	(176)	(106)

Interest rate risk

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

The Group's interest-rate risk arises from borrowings (see note 28 for details of these borrowings). Borrowings at fixed rate expose the Group to fair value interest-rate risk. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate short-term bank balances (see note 23 for details of these balances). The exposure to the interest rate risk for variable-rate bank balances is insignificant as the bank balances have a short maturity period.

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point (2010: 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 2011, if interest rates on bank balances had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been approximately HK$718,000 (2010: HK$466,000) decrease/increase, mainly as a result of higher/lower interest expense on variable rate borrowings.

Credit risk

As at 31 December 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group has concentration of credit risk as 26% (2010: 50%) and 85% (2010: 81%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively which are mainly located in the PRC and include a substantial shareholder of the Company and companies under its control.

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

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

Liquidity risk

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

The Group currently relies on borrowings as a significant source of liquidity. As at 31 December 2011 and 31 December 2010, the Group has 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.

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

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

(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

	2011	**2010**
	HK$'000	*HK$'000*
Bank interest income	83	14
Compensation income from a subsidiary of a substantial shareholder	–	43
Recovery of service deposits previously written off	–	1,560
Gain on disposal of plant and equipment	18	–
Others	125	328
	226	1,945

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.

Geographical information

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

	2011	**2010**
	HK$'000	*HK$'000*
PRC	1,670,727	1,115,949
Europe	407,603	615,044
Australia	96,419	239,708
Hong Kong	101,673	132,727
Middle East	76,040	151,656
Africa	24,978	43,301
Other Asian District	165,246	127,214
USA	–	20,349
South America	181,644	168,236
	2,724,330	2,614,184

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

Information about major customers

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

	2011	**2010**
	HK$'000	*HK$'000*
Sichuan Changhong	1,134,478	617,847
Guangdong Changhong Electrics Co. Ltd	N/A[1]	272,841
Changhong Europe Electric S.R.O	N/A[1]	264,717

[1] The corresponding revenue did not contribute over 10% of the total sales of the Group for the year ended 31 December 2011.

10. FINANCE COSTS

	2011	**2010**
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings wholly repayable within 5 years	3,868	1,689
Loan from a related company wholly repayable within 5 years	2,581	3,008
	6,449	4,697

11. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2011, nor has any dividend been proposed since the end of the reporting period (2010: Nil).

12. INCOME TAX EXPENSES

	2011	**2010**
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
– Current tax	2,964	3,174
– Under provision in prior year	20	–
	2,984	3,174

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

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

	2011	**2010**
	HK$'000	*HK$'000*
Profit before taxation	13,455	20,375
Tax at the domestic income tax rate of 16.5% (2010: 16.5%)	2,220	3,362
Tax effect of income not taxable for tax purpose	(23)	(2)
Tax effect of expenses not deductible for tax purpose	658	4
Tax effect of other deductible temporary differences not recognised	14	13
Tax effect of tax losses not recognised	95	–
Tax effect of utilisation of tax losses previously not recognised	–	(203)
Under provision in respect of prior year	20	–
Income tax expense	2,984	3,174

13. DEFERRED TAXATION

At 31 December 2011, the Group had unused tax losses and other deductible temporary differences of approximately HK$24,032,000 (2010: HK$23,457,000) and HK$614,000 (2010: HK$529,000) respectively available for offset against future profits. No deferred tax asset in respect of other deductible temporary differences and unused tax loss has been recognised due to the unpredictability of future profit streams. The unused tax losses may be carried forward indefinitely.

14. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2011	2010
	HK$'000	*HK$'000*
Depreciation for plant and equipment	196	165
Auditor's remuneration	940	850
Cost of inventories recognised as an expense	2,680,539	2,573,094
Staff costs, including directors' emoluments *(note 15)*		
– Salaries and related staff costs	8,158	7,725
– Retirement benefits scheme contributions	160	154
	8,318	7,879
Exchange loss, net	735	110

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 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[2]	–	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 1 June 2011

For the year ended 31 December 2010

	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	–	36	–	–	36
Mr. Tang Yun	–	984	12	61	1,057
Mr. Wang Zhenhua	–	36	–	–	36
Mr. Xiang Chao Yang	–	27	–	–	27
Mr. Yu Xiao	–	36	–	–	36
Mr. Wu Xiangtao	–	429	12	50	491
Independent non-executive directors					
Mr. Jonathan Chan Ming Sun	165	–	–	–	165
Mr. Robert Ip Chun Chung	165	–	–	–	165
Mr. Sun Donfeng	165	–	–	–	165
	495	1,788	24	111	2,418
Senior Management					
Mr. Lee Wing Lun	–	483	12	4	499
Mr. Liu Jianhua	–	346	12	134	492
	–	829	24	138	991

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 2011, two directors, Ms. Shi Ping and Mr. Yu Xiao, waived emoluments. In the year ended 31 December 2010, one director, Mr. Yu Xiao, waived emolument of HK$36,000.

(b) Employees' emoluments

The five highest paid individuals in the Group during the year included two (2010: two) directors whose emolument is included in the analysis presented above. The emoluments of the remaining three (2010: three) individuals are set out below:

	2011	**2010**
	HK$'000	*HK$'000*
Salaries and allowances	1,657	1,578
Retirement benefits scheme contributions	24	36
	1,681	1,614

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

16. EARNINGS PER SHARE

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

	2011 *HK$'000*	2010 *HK$'000*
Earnings		
Profit for the year attributable to owners of the Company	10,471	17,201

	2011 *'000*	**2010** *'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	328,258	318,000

As there were no dilutive potential shares during the two years ended 31 December 2011 and 2010, the diluted earnings per share is the same as basic earnings per share.

17. PLANT AND EQUIPMENT

	Furniture, fixtures and equipment *HK$'000*	**Leasehold improvements** *HK$'000*	**Motor vehicle** *HK$'000*	**Total** *HK$'000*
COST				
At 1 January 2010	421	429	368	1,218
Additions	16	–	–	16
At 31 December 2010 and 1 January 2011	437	429	368	1,234
Additions	75	234	–	309
Disposals	–	(128)	–	(128)
At 31 December 2011	512	535	368	1,415
DEPRECIATION				
At 1 January 2010	239	421	18	678
Charge for the year	47	8	110	165
At 31 December 2010 and 1 January 2011	286	429	128	843
Charge for the year	58	28	110	196
Disposals	–	(18)	–	(18)
At 31 December 2011	344	439	238	1,021
CARRYING VALUES				
At 31 December 2011	168	96	130	394
At 31 December 2010	151	–	240	391

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

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

18. INVENTORIES

	2011	2010
	HK$'000	*HK$'000*
Trading merchandises	–	706

19. TRADE AND BILLS RECEIVABLES

Included in the balance are amounts due from subsidiaries of a substantial shareholder of the Company of approximately HK$275,680,000 (2010: HK$140,276,000) and amount due from a substantial shareholder of the Company of approximately HK$98,469,000 (2010: HK$195,888,000).

The Company allows an average credit period of 30-90 days and 30-120 days (2010: 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. 62% (2010: 65%) of the trade and bills receivables based on the invoice date 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$147,285,000 (2010: HK$138,369,000) 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.

	2011	2010
	HK$'000	*HK$'000*
Within 30 days	76,059	164,339
31 – 60 days	65,066	121,698
61 – 90 days	60,830	78,912
91 – 180 days	177,534	25,443
181 – 365 days	11,699	–
Over 365 days	1,386	810
	392,574	391,202

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

	2011	2010
	HK$'000	*HK$'000*
Within 30 days	87,487	45,330
31 – 60 days	41,282	44,316
61 – 90 days	5,066	39,160
91 – 180 days	11,113	8,753
Over 180 days	2,337	810
Total	147,285	138,369

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

	2011	2010
	HK$'000	*HK$'000*
HKD	2	2
EUR	124,436	–
AUD	54,697	46,578

20. TRADE DEPOSITS PAID

Included in the balance are amounts paid to a substantial shareholder of the Company and a company under its control of approximately HK$30,708,000 (2010: HK$90,675,000) in aggregate.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

At 31 December 2011, included in prepayments, deposits and other receivables is an amount of approximately HK$594,000 (2010: HK$520,000) which is denominated in HKD which represented currency other than the functional currency of the Group.

22. AMOUNTS DUE FROM RELATED COMPANIES

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

Name of company	Terms	Balance at 31/12/2011	Balance at 31/12/2010	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 2011, the amounts of approximately HK$69,000 (2010: HK$69,000) are denominated in HKD, which represented currency other than the functional currency of the Group.

Note: Mr. Ji, a director of the Company, had beneficial interest in ADIUSA and ADSH.

23. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

	2011	2010
	HK$'000	*HK$'000*
Pledged bank deposits	3,467	2,344
Bank balances and cash	71,888	46,536
	75,355	48,880

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

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

	2011	2010
	HK$'000	*HK$'000*
HKD	655	2,514
EUR	5,227	10,504
AUD	936	213

At 31 December 2011 and 2010, pledged bank deposits were pledged to secure general banking facilities granted to the Group and did not carry any interest.

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

24. TRADE AND BILLS PAYABLES

Included in the balance are amounts due to subsidiaries of a substantial shareholder of the Company of approximately HK$34,758,000 (2010: HK$52,986,000) and amount due to a substantial shareholder of the Company of approximately HK$203,883,000 (2010: HK$66,326,000). The ageing analysis of trade and bills payables, based on the date of receipt of goods, is as follows:

	2011	2010
	HK$'000	*HK$'000*
Within 30 days	50,821	69,452
31 – 60 days	55,965	56,584
61 – 90 days	62,369	9,428
91 – 180 days	121,101	48,182
181 – 365 days	21,540	21,756
Over 1 year	113	723
	311,909	206,125

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

	2011	2010
	HK$'000	*HK$'000*
EUR	119,378	–
AUD	53,531	45,520

The average credit period on purchase of goods is 30 – 120 days (2010: 30 – 120 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

25. OTHER PAYABLES

Included in the balance are amounts due to subsidiaries of a substantial shareholder of the Company of approximately HK$794,000 (2010: HK$1,903,000).

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

	2011	2010
	HK$'000	*HK$'000*
HKD	1,233	1,451
EUR	2,404	–

26. CUSTOMER DEPOSITS

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

	2011	2010
	HK$'000	*HK$'000*
HKD	2,400	–
EUR	–	9,508

27. AMOUNTS DUE TO DIRECTORS

The amounts due to directors of the Company, Mr. Yu Xiao amounting to HK$36,000 as at 31 December 2010 (2011: Nil) and Mr. David Ji Long Fen amounting to HK$5,000 (2010: HK$5,000), are unsecured, interest free and repayable on demand. These amounts are denominated in HKD, which represented currency other than functional currency of the Group.

28. BORROWINGS

	2011	2010
	HK$'000	*HK$'000*
Loan from a related company	38,750	155,000
Bank loans on bills discounted with recourse	55,765	132,277
	94,515	287,277
Secured	55,765	132,277
Unsecured	38,750	155,000
	94,515	287,277
Carrying amount repayable:		
On demand or within one year	94,515	287,277

Loan from a related company were advanced by Changhong (Hong Kong) Trading Limited, a subsidiary of a substantial shareholder of the Company's holding company. The balance was unsecured, bearing interest at fixed rate at 3.5% (2010: 2.5%) per annum and are repayable in June 2012. (2010: repayable in June 2011).

At 31 December 2011, the Company's secured bank borrowings were secured by bills receivables of HK$55,765,000 (2010: HK$132,277,000).

29. SHARE CAPITAL

	Number of shares	*HK$'000*
Ordinary shares of HK$0.025 each		
Authorised:		
1 January 2010, 31 December 2010 and 31 December 2011	1,200,000,000	30,000
Issued and fully paid:		
At 1 January 2010 and 31 December 2010	318,000,000	7,950
Issue of share *(note)*	16,000,000	400
At 31 December 2011	334,000,000	8,350

Note: On 12 May 2011, the Company issued and allotted a total of 16,000,000 shares with a par value of HK$0.025 each in the Company at HK$0.5 per ordinary share to Changhong (Hong Kong) Trading Limited.

All the shares which were issued during the year rank pari passu with the existing shares in all respects.

30. 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 2011 and 2010, no option under the Scheme had been granted to any person, nor was there any outstanding option granted under the Scheme in issue.

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2011	**2010**
	HK$'000	*HK$'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)*	45	36
Tax recoverable	20	–
Bank balances and cash	102	2,051
	267	2,187
Current liabilities		
Other payables	1,010	890
Amount due to a director	–	36
Amounts due to subsidiaries *(Note a)*	10,486	14,555
	11,496	15,481
Net current liabilities	(11,229)	(13,294)
	(11,129)	(13,194)
Capital and reserves		
Share capital	8,350	7,950
Share premium and reserves *(Note b)*	(19,479)	(21,144)
	(11,129)	(13,194)

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	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2010	28,537	(49,791)	(21,254)
Profit for the year	–	110	110
At 31 December 2010 and 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	34,492	(53,971)	(19,479)

32. OPERATING LEASE COMMITMENTS

The Group as lessee:

	2011	2010
	HK$'000	*HK$'000*
Minimum lease payments under operating lease during the year	1,276	1,065

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:

	2011	2010
	HK$'000	*HK$'000*
Within one year	1,494	938
In the second to fifth year, inclusive	1,212	365
	2,706	1,303

Leases are negotiated and rentals are fixed for terms of 2 to 3 years (2010: 1 to 3 years).

33. 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 2011, contributions of the Group under the MPF Scheme amounted to approximately HK$147,000 (2010: HK$154,000).

34. RELATED PARTY TRANSACTIONS

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

Name of company	Nature of transaction	2011 *HK$'000*	2010 *HK$'000*
Substantial shareholder of holding company			
Sichuan Changhong (ii) & (iii)	Sales of goods	1,134,478	617,847
	Purchases of goods	511,722	812,198
Subsidiaries of Sichuan Changhong			
Changhong Electric (Australia) Pty., Ltd.	Sales of goods	95,536	167,719
Changhong Electric Middle East Fze	Sales of goods	1,167	–
Guangdong Changhong Electronics Co., Ltd.	Sales of goods	234,577	272,841
	Purchases of goods	351,846	460,530
Sichuan Changhong Component Technology Co., Ltd.	Sales of goods	25,405	10,540
Sichuan Changhong Network Technologies Co., Ltd.	Sales of goods	170,380	120,993
	Purchases of goods	8,922	50,330
Changhong Europe Electric S.R.O	Sales of goods	212,471	264,717
PT. Changhong Electric Indonesia	Sales of goods	72,718	49,843
Sichuan Hongrui Electronic Co. Ltd.	Sales of goods	25,126	25,815
Hefei Changhong Industry Co. Ltd.	Sales of goods	17,278	5,273
Changhong Ruba Trading Company (PVT) Limited	Sales of goods	2,126	–
Hefei Meiling Co., Ltd.	Purchases of goods	–	3
Sichuan COC Display Devices Co. Ltd.	Purchases of goods	51,750	–
Guangdong Changhong Digital Technology Co., Ltd.	Purchases of goods	22	1,783
	Rent paid	159	92
Changhong (Hong Kong) Trading Limited (i)	Interest expense paid	2,581	3,008

Notes:

(i) Mr. Tang Yun, a director of the Company, is also a director of this company.

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

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

(b) Compensation of key management personnel

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

	2011	**2010**
	HK$'000	*HK$'000*
Short-term benefits	3,772	2,917
Post-employment benefits	36	36
	3,808	2,953

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

35. SUBSIDIARIES

Particulars of the subsidiaries of the Company as at 31 December 2011 are as follows:

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

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

3. QUARTERLY REPORT OF THE GROUP FOR THE THREE MONTHS ENDED 31 MARCH 2012

No dividends were paid or payable and no exceptional items were noted for each of the three month period ended 31 March 2011 and 2012.

Set out below is the unaudited financial information of the Group for the three months ended 31 March 2012 as extracted from the first quarterly report 2012 of the Group.

Consolidated Statement of Comprehensive Income
For the three month period ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Turnover	2	526,340	424,362
Cost of sales		(518,666)	(418,593)
Gross profit		7,674	5,769
Other income		73	66
Distribution and selling expenses		(1,926)	(1,291)
Administrative expenses		(5,468)	(3,704)
Profit from operation		353	840
Finance costs		(847)	(920)
(Losses) before taxation		(494)	(80)
Income tax expense	3	–	–
(Losses) and total comprehensive income for the period attributed to owners of the Company		(494)	(80)
Losses per share	4		
Basic and diluted		0.148 cents	0.025 cents

Notes:

1. BASIS OF PREPARATION

The unaudited quarterly financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), and accounting principles general accepted in Hong Kong. In addition, these financial statements include applicable disclosures required by the GEM Listing Rules and the Hong Kong Companies Ordinance.

2. TURNOVER

Turnover represents the invoiced value of goods sold, net of discounts and sales related taxes.

3. INCOME TAX EXPENSE

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislations, interpretations and practices in respect thereof.

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong for the period ended 31 March 2012.

The Group did not have any significant unprovided deferred tax liabilities in respect of the period.

4. LOSSES PER SHARE

The calculation of basic losses per share is based on the net losses attributable to shareholders for the period of HK$494,000 (2011: HK$80,000), and the weighted average of 334,000,000 (2011: 318,000,000) ordinary shares in issue during the period.

As there were no diluted potential shares during the two periods ended 31 March 2012 and 2011, the diluted losses per share was the same as basic losses per share.

5. RESERVES

During the period, there was no movement to and from any reserves.

6. CONTINGENT LIABILITIES

On 9 June 2006, Koninkljke Philips Electronics N.V. and United States Philips Corporation commenced a lawsuit in the United States District Court, Central District of California, against eight parties, including the Company, Apex Digital Inc. Limited and Apex Digital, LLC (subsidiaries of the Company), Mr. David Ji Long Fen ("Mr. Ji", an executive Director), Mr. Ancle Hsu Ann Keh (a former executive Director), Apex Digital, Inc. US, (a former substantial shareholder of the Company which is wholly-owned by Mr. Ji), United Delta Inc. (a former beneficial shareholder of the Company) and an individual (collectively known as the "Defendants"). The Defendants were claimed damages for patent infringement for the distribution of unlicensed DVD products within the USA.

On 20 June 2007, a settlement has been reached between the plaintiffs and the defendants and the proceedings were dismissed without prejudice. Pursuant to the terms of the settlement, Apex Digital, Inc. US is to pay a total amount of approximately US$3,284,000 to the plaintiffs by installments. Subsequently, Apex Digital, Inc. US, Mr. Ji, the Company, Apex Digital, LLC and Apex Digital Inc Limited entered into an agreement dated 18 September 2007 pursuant to which Apex Digital, Inc. US and Mr. Ji agreed to bear all the payment under the above settlement.

4. INTERIM REPORT OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2012

No dividends were paid or payable and no exceptional items were noted for each of the six months period ended 30 June 2011 and 2012.

Set out below is the unaudited financial information of the Group for the six months ended 30 June 2012 as extracted from the interim report 2012 of the Group.

Condensed Consolidated Statement of Comprehensive Income – Unaudited

		For three months ended 30 June		For six months ended 30 June	
		2012	**2011**	**2012**	**2011**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover		757,881	734,659	1,284,221	1,159,021
Cost of sales		(747,953)	(724,281)	(1,266,619)	(1,142,874)
Gross profit		9,928	10,378	17,602	16,147
Other income		83	92	156	158
Administrative expenses		(7,666)	(3,945)	(13,134)	(7,649)
Distribution and selling expenses		(2,004)	(1,794)	(3,930)	(3,085)
Profit from operation	*3*	341	4,731	694	5,571
Finance cost		(2,166)	(2,003)	(3,013)	(2,923)
(Losses)/Profit before taxation		(1,825)	2,728	(2,319)	2,648
Income tax expense	*4*	–	(6)	–	(6)
(Losses)/Profit and total comprehensive income for the period attributed to owners of the Company		(1,825)	2,722	(2,319)	2,642
(Losses)/Profit per share Basic and diluted (HK cents)	*5*	(0.55)	0.82	(0.69)	0.79

Condensed Consolidated Statement of Financial Position

	Notes	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
NON-CURRENT ASSETS			
Fixed assets		310	394
CURRENT ASSETS			
Trade receivables	6	100,214	18,425
Inventory		630	–
Trade deposits		84,507	47,399
Prepayments, deposits and other receivables		578	594
Amount due from related companies		147,146	275,749
Tax recoverable		–	230
Cash and bank balance		176,196	75,355
		509,271	417,752
CURRENT LIABILITIES			
Trade payables	7	70,369	73,268
Tax payable		7,210	4,928
Other payables and accruals		6,449	4,034
Customer deposit		55,012	52,339
Amount due to a director		5	5
Amount due to a substantial shareholder		77,143	105,414
Bank loan		–	55,765
Loan from a related company		38,750	38,750
Amounts due to related companies		208,871	35,552
		463,809	370,055
NET CURRENT ASSETS		45,462	47,697
NET ASSET		45,772	48,091
CAPITAL AND RESERVES			
Issued capital		8,350	8,350
Reserves		37,422	39,741
		45,772	48,091

Consolidated Statement of Changes in Equity – Unaudited

	For the six months ended 30 June	
	2012	**2011**
	HK$'000	*HK$'000*
Total equity at 1 January	48,091	31,265
Increase in share capital	–	400
Increase in share premium and reserve	–	7,635
Net (losses)/profit for the period attributable to shareholders	(2,319)	2,642
Total equity at 30 June	45,772	41,942

Condensed Consolidated Statement of Cash Flows – Unaudited

	For the six months ended 30 June 2012 *HK$'000*	2011 *HK$'000*
NET CASH INFLOW FROM OPERATING ACTIVITIES	156,618	174,486
CASH FLOWS FROM INVESTING ACTIVITIES		
Share subscribed by related company	–	8,000
Purchase of fixed assets	(12)	(113)
Net cash (outflow)/inflow from investing activities	(12)	7,887
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of loan to a related company	(55,765)	(116,250)
Net cash (outflow) from financing activities	(55,765)	(116,250)
NET INCREASE IN CASH AND CASH EQUIVALENTS	100,841	66,123
Cash and cash equivalents at beginning of year	75,355	48,880
CASH AND CASH EQUIVALENTS AT END OF PERIOD	176,196	115,003
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	176,196	115,003

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited consolidated condensed interim accounts ("the Interim Accounts") are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 Interim Financial Reporting and the requirements of the Rules governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("the Listing Rules").

2. SEGMENT INFORMATION

The Group is currently organised into a single segment as trading of consumer electronic products and related parts and components, and all revenue, expense, results, assets and liabilities and capital expenditures are predominantly attributable to this single operating segment. Accordingly, no segment analysis by business is presented.

(a) Geographical segments

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

	2012	**2011**
	HK\$'000	*HK\$'000*
Hong Kong	51,317	69,718
People's Republic of China ("PRC")	771,481	757,441
Asia	83,842	65,319
Europe	218,283	99,705
Australia	15,018	30,723
South America	73,177	72,641
Africa	44,779	2,437
Middle East	26,324	61,037
	1,284,221	1,159,021

3. PROFIT FROM OPERATION

The Group's profit from operation is arrived at after charging/(crediting):

	2012	**2011**
	HK\$'000	*HK\$'000*
Cost of inventories sold	1,266,619	1,142,874
Depreciation	96	92
Staff cost including directors' emolument		
– Salary and related staff cost	5,254	4,336
– Retirement benefits scheme contribution	72	79
	5,326	4,415
Exchange (gain)/loss, net	(262)	391

4. INCOME TAX EXPENSE

Taxes of other jurisdiction have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislations, interpretations and practices in respect thereof.

Hong Kong profits tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profit for the period ended 30 June 2012 (2011: Nil).

The Group has unused tax losses and other deductible temporary difference of approximately HKD24,032,000 and HKD614,000 respectively available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

5. (LOSSES)/PROFIT PER SHARE

The calculation of basic losses per share for the three months and six months ended 30 June 2012 were based on the net losses attributable to shareholders of HK$1,825,000 (2011 profit: HK$2,722,000) for the three months ended 30 June 2012 and the net losses attributable to shareholders of HK$2,319,000 (2011 profit: HK$2,642,000) for the six months ended 30 June 2012 and on 334,000,000 (2011: 334,000,000) ordinary shares in issue during the three months and six months ended 30 June 2012.

No diluted earnings per share was presented as there was no potential ordinary shares in issue for both periods.

6. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of one month, extending up to three months. Overdue balances are reviewed regularly by senior management. An aged analysis of the trade receivables as at the balance sheet date, based on invoice date, is as follows:

	2012	**2011**
	HK$'000	*HK$'000*
Within 3 months	85,090	48,330
4 to 6 months	14,054	1,968
7 to 12 months	1,070	11
Over 1 year	–	34
	100,214	50,343

7. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on date of receipt of goods, is as follows:

	2012	**2011**
	HK$'000	*HK$'000*
Within 3 months	68,710	58,898
4 to 6 months	299	25,236
7 to 12 months	1,247	38
Over 1 year	113	112
	70,368	84,284

8. CONTINGENT LIABILITIES

On 12 June 2006, Koninkljke Philips Electronics N.V. and United States Philips Corporation issued a writ of summons to the United States District Court, Central District of California, against eight parties, including the Company, Apex Digital Inc. Limited and Apex Digital, LLC (subsidiaries of the Company), Mr. David Ji Long Fen ("Mr. Ji", an executive director of the Company), Mr. Ancle Hsu Ann Keh (a former executive director of the Company), Apex Digital Inc. ("Apex Digital, Inc. US", a former substantial shareholder which is wholly-owned by Mr. Ji), United Delta Inc. (a former beneficial shareholder) and an individual (collectively known as the "Defendants"). The Defendants were claimed damages for patent infringement for the distribution of unlicensed DVD products within the United States of America.

On 20 June 2007, a settlement has been reached between the plaintiffs and the defendants and the proceedings were dismissed without prejudice. Pursuant to the terms of the settlement, Apex Digital, Inc. US is to pay a total amount of US$3,284,000 to the plaintiffs by installments. Subsequently, the Group has signed an agreement with Apex Digital, Inc. US that Apex Digital, Inc. US has agreed to bear all the payments and any legal and professional fees incurred. Up to 30 June 2012, Apex Digital, Inc. US has paid the amount of US$2,300,000.

5. THIRD QUARTERLY REPORT OF THE GROUP FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012

No dividends were paid or payable and no exceptional items were noted for each of the nine months period ended 30 September 2011 and 2012.

Set out below is the unaudited financial information of the Group for the nine months ended 30 September 2012 as extracted from the third quarterly report 2012 of the Group.

The following is a summary of the unaudited results of the Company and its subsidiaries (collectively the Group) for the three months period and nine months period ended 30 September 2012, together with the comparative figures for the corresponding periods of last year, as extracted from the Third Quarterly Report 2012 of the Company:

Consolidated Statement of Comprehensive Income
For the nine months period ended 30 September 2012

		For three months ended 30 September		For nine months ended 30 September	
		2012	2011	**2012**	2011
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	*2*	**887,786**	835,125	**2,172,007**	1,994,146
Cost of sales		**(876,012)**	(817,902)	**(2,142,631)**	(1,960,776)
Gross profit		**11,774**	17,223	**29,376**	33,370
Other income		**(55)**	67	**101**	225
Administrative expenses		**(9,983)**	(9,266)	**(23,117)**	(16,915)
Distribution and selling expenses		**(1,684)**	(1,821)	**(5,614)**	(4,906)
Profit from operation		**52**	6,203	**746**	11,774
Finance cost		**(2,097)**	(1,152)	**(5,110)**	(4,075)
(Losses)/Profit before taxation		**(2,045)**	5,051	**(4,364)**	7,699
Income tax expense	*3*	**–**	–	**–**	(6)
(Losses)/Profit and total comprehensive income for the period attributed to the owners of the Company		**(2,045)**	5,051	**(4,364)**	7,693
(Losses)/Profit per share Basic and diluted (HK cents)	*4*	**(0.61)**	1.51	**(1.31)**	2.30

Notes:

1. BASIS OF PREPARATION

The unaudited quarterly financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), and accounting principles generally accepted in Hong Kong. In addition, these financial statements include applicable disclosures required by the GEM Listing Rules and the Hong Kong Companies Ordinance.

2. TURNOVER

Turnover represents the invoiced value of goods sold, net of discounts and sales related taxes.

3. INCOME TAX EXPENSE

Taxes of other jurisdiction have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislations, interpretations and practices in respect thereof.

Hong Kong profits tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profit for the period ended 30 September 2012 (2011: Nil).

The Group has unused tax losses and other deductible temporary difference of approximately HK$24,032,000 and HK$614,000 respectively available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

4. (LOSSES)/PROFIT PER SHARE

The calculation of basic losses per share for the three months and nine months ended 30 September 2012 were based on the net losses attributable to shareholders of HK$2,045,000 (2011 profit: HK$5,051,000) for the three months ended 30 September 2012 and the net losses attributable to shareholders of HK$4,364,000 (2011 profit: HK$7,693,000) for the nine months ended 30 September 2012 and on 334,000,000 (2011: 334,000,000) ordinary shares in issue during the three months and nine months ended 30 September 2012.

No diluted earnings per share was presented as there was no potential ordinary shares in issue for both periods.

5. RESERVES

During the period, there was no movement to and from any reserves.

6. CONTINGENT LIABILITIES

On 12 June 2006, Koninkljke Philips Electronics N.V. and United States Philips Corporation issued a writ of summons ("Summons") to the United States District Court, Central District of California, against eight parties, including the Company, Apex Digital Inc. Limited and Apex Digital, LLC (subsidiaries of the Company), Mr. David Ji Long Fen ("Mr. Ji", an executive director of the Company), Mr. Ancle Hsu Ann Keh (a former executive directors of the Company), Apex Digital Inc. ("Apex Digital", a former substantial shareholder which is wholly owned by Mr. Ji), United Delta Inc. (a former beneficial shareholder) and an individual (collectively known as the "Defendants"). The Defendants were claimed damages for patent infringement for the distribution of unlicensed DVD products within the United States of America ("USA").

On 2 August 2007, a settlement has been reached between the plaintiffs and the defendants and the proceedings were dismissed without prejudice. Pursuant to the terms of the settlement, Apex Digital is to pay a total amount of US$3,284,000 to the plaintiffs by installments. Subsequently, the Group has signed an agreement with Apex Digital that Apex Digital has agreed to bear all the payments and any legal and professional fees incurred. Up to 30 September 2012, Apex Digital has paid the amount of US$2,300,000.

6. INDEBTEDNESS

Borrowings

As at the close of business on 31 October 2012, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the indebtedness of the Enlarged Group was as follows:

(i) Interest bearing bank overdraft and borrowings in the amount of approximately HK$197,711,000 due within one year. Certain bank borrowings were secured by trade receivables with amount of HK$54,047,000; and

(ii) Interest bearing other borrowings in the amount of approximately HK$870,100,000 due within one year. Certain other borrowings were secured by trade receivables with amount of HK$164,770,000.

(iii) Loan from a fellow subsidiary of HK$38,750,000 which was unsecured, interest bearing and due within one year.

Contingent liabilities

As at the close of business on 31 October 2012, the Enlarged Group had no material contingent liabilities.

Save as aforesaid, and apart from intra-group liabilities and normal trade payables, the Enlarged Group did not have outstanding as at the close of business on 31 October 2012 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

The Directors confirmed that there is no material change in the indebtedness and contingent liabilities of the Enlarged Group since 31 October 2012 and up to the date of this circular.

For the purpose of the above indebtedness statement, foreign currency accounts have been translated into Hong Kong Dollars at the approximately rates of exchange prevailing at the close of business on 31 October 2012.

7. MATERIAL CHANGE

The Directors confirmed that there has been no material change which would adversely affect the financial or trading position of the Group since 31 December 2011, the date the latest published audited financial information of the Company.

8. HEDGING POLICY

The Directors confirm that during the Track Record Period, the Group did not enter into any hedging transactions.

9. DIVIDEND POLICY OF THE GROUP

The Board has absolute discretion in determining whether to declare any dividend for any period and, if it decides to declare a dividend, the amount of dividend to be declared. The Company will evaluate its dividend policy from time to time in light of its financial position and the prevailing economic climate. The determination to pay dividends, however, will be made at the discretion of the Board and will be based upon the Company's earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that the Directors deem relevant. No dividend was declared by the Company for the three years ended 31 December 2011 and seven months ended 31 July 2012. No assurance can be given that dividends of similar amounts or at similar rates will be paid in the future or that dividends will be paid at all. Therefore, the past dividend payments referred to above should not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Board in the future. According to the terms of the New Convertible Preference Shares, holders of New Convertible Preference Shares shall have the right to receive dividend in priority to holders of any other class of shares in the capital of the Company. No assurance can be given that dividends to be distributed out of the funds of the Company available for distribution can be paid to the Shareholders.

10. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is the management discussion and analysis of the Group for the three financial years ended 31 December 2011:

(a) For the year ended 31 December 2011

Business review

The Group is engaged in the trading business of consumer electronic products and related electronic parts and components. To process orders from customers, the Group places purchase orders according to the requirements in the corresponding sales orders and the Group does generally not handle the logistics and warehousing of the orders.

The Group has accomplished an improved operating revenue of approximately HK$2,724.33 million and an operating profit of approximately 19.90 million. The revenue for year 2011 was slightly 4.21% higher than the previous year arising from the growth of the trading business of electronic parts and components, but due to the professional fees incurred for the advanced work of a possible acquisition, the Group recorded a net profit of approximately HK$10.47 million for the year ended 31 December 2011.

As at 31 December 2011, the Group's gross margin was approximately 1.61% which increased 2.55% as compared with 2010. The increase was due to continuous effort of the management in the fierce competitive industry. This was due to intense competition in the industry the Group engaged in as the results of the global economy and politics' instability.

During the business operations in the past years, the Group has established a stable clientele base of customers and competitive supplying resources; the Group was able to secure orders from the customers without spending extra effort, manpower and costs in developing new markets.

Moreover, by utilizing the Hong Kong's advantages as a free-trade region with abundant and efficient ancillary services for trading business at low-costs, such as international settlements and logistics etc., the Group can conduct its trading business efficiently with its current operating structure.

Outlook

As the Company has established stable clientele bases of supplier and customers and the financial positions of the Group are continuously improving, the Company is confident that the Trading Business in the consumer electronic industry 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 believes that the business will keep on the track and will continue to improve in the near future. The Group's commitment is to create value for shareholders.

Turnover

The Group's turnover represents the invoiced value of goods sold, net of discounts and sales related taxes. For the year ended 31 December 2011, turnover increased by approximately 4.21% to approximately HK$2,724,330,000 (2010: approximately HK$2,614,184,000), which was mainly contributed by the growth of the trading business of electronic parts and components.

Liquidity and financial resources

The Group's financial and liquidity positions are healthy and stable. As at 31 December 2011, the aggregate outstanding borrowings of the Group were approximately HK$94.52 million which were unsecured and interested bearing (2010: HK$287.28 million). Such fluctuation was due to the repayment of part of borrowings in the year ended 31 December 2011 as the Group's financial positions are continuously improving. The Group's cash and bank balances amounted to approximately HK$75.36 million, together with trading receivables amounted to approximately HK$392.57 million. The Group's net current assets approximate to HK$47.70 million and the Group does not have any charges on its assets. The management is confident that with some proper arrangements for fund, the Group's financial resources are sufficient to finance the daily operation.

Assets and liabilities

As at 31 December 2011, total assets of the Group amounted to approximately HK$516,615,000 (As at 31 December 2010: approximately HK$566,370,000) and total liabilities of the Group were approximately HK$468,524,000 (As at 31 December 2010: approximately HK$535,105,000). Net assets amounted to approximately HK$48,091,000 (As at 31 December 2010: approximately HK$31,265,000) which was attributed to the profit for the year of approximately HK$10,471,000 recorded for the year ended 31 December 2011 and the increase in the share capital and reserve.

As at the Latest Practicable Date, out of the total trade and bill receivables of HK$392,574,000 as at 31 December 2011, approximately HK$385,851,000 has been settled.

Contingent liabilities

On 9 June 2006, Koninkljke Philips Electronics N.V. and United States Philips Corporation commenced a lawsuit in the United States District Court, Central District of California, against eight parties, including the Company, Apex Digital Inc. Limited and Apex Digital, LLC (subsidiaries of the Company), Mr. David Ji Long Fen ("**Mr. Ji**", an executive Director), Mr. Ancle Hsu Ann Keh (a former executive Director), Apex Digital, Inc. US, (a former substantial shareholder of the Company which is wholly-owned by Mr. Ji), United Delta Inc. (a former beneficial shareholder of the Company) and an individual (collectively known as the "**Defendants**"). The Defendants were claimed damages for patent infringement for the distribution of unlicensed DVD products within the USA.

On 20 June 2007, a settlement has been reached between the plaintiffs and the defendants and the proceedings were dismissed without prejudice. Pursuant to the terms of the settlement, Apex Digital, Inc. US is to pay a total amount of approximately US$3,284,000 to the plaintiffs by installments. Subsequently, Apex Digital, Inc. US, Mr. Ji, the Company, Apex Digital, LLC and Apex Digital Inc Limited entered into an agreement dated 18 September 2007 pursuant to which Apex Digital, Inc. US and Mr. Ji agreed to bear all the payment under the above settlement.

Capital commitment

At 31 December 2011, the Group had not authorised, contracted or provided any capital commitments.

Foreign exchange exposure

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

Employment and remuneration policy

As at 31 December 2011, the total number of the Group's staff was 19. The total staff costs (including directors) amounted to approximately HK$8.32 million for the year under review. The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group provides retirement benefit for its employees in Hong Kong in form of mandatory provident fund.

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

Capital structure

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

Significant investments

As at 31 December 2011, the Group did not have any significant investments.

Future plans for material investments and expected source of funding

As at 31 December 2011, the Group was considering various investment projects and options but had not made any decision for its pursuing.

Material acquisitions and disposals

The Group had no material acquisitions and disposals for the year ended 31 December 2011.

(b) For the year ended 31 December 2010

Business review

The Group is engaged in the trading business of consumer electronic products and related electronic parts and components. To process orders from customers, the Group places purchase orders according to the requirements in the corresponding sales orders and the Group does generally not handle the logistics and warehousing of the orders.

The Group has accomplished an improved operating revenue of approximately HK$2,614,184,000 (2009: approximately HK$2,575,279,000) and a profit for the year of approximately HK$17,201,000 (2009: approximately HK$21,467,000) for the year ended 31 December 2010. The Group's revenue for 2010 was slightly higher than the previous year.

For the year ended 31 December 2010, the Group's gross margin was approximately 1.57% which decreased approximately 35.39% as compared with 2009. This was due to the intense competition in the market. Apex Digital Inc. Limited, a subsidiary of the Company, raised a legal suit against Apex Digital (Shanghai) on 17 October 2008 due to Apex Digital (Shanghai)'s default in the repayment of its operating funds borrowed from Apex Digital Inc. Limited. The Group has fully provided for such amount due from Apex Digital (Shanghai) in the accounts of 2006. On 17 April 2009, the court ordered Apex Digital (Shanghai) to repay the amount of RMB6,003,365.72. As at (the Latest Practicable Date and 31 December 2011, Apex Digital (Shanghai) had not made any of the above repayment. The Company has written off the aforesaid amount owed by Apex Digital (Shanghai).

In addition, after continuingly efforts by the Company, approximately HK$1,560,000 of the service deposit of approximately HK$2,496,000 owed by Ms. Fei Liqiong (an American) has been set off in November 2010.

During the business operations in the past years, the Group has established a stable clientele base of customers and competitive supplying resources; the Group was able to secure orders from the customers without spending extra effort, manpower and costs in developing new markets.

Moreover, by utilizing the Hong Kong's advantages as a free-trade region with abundant and efficient ancillary services for trading business at low-costs, such as international settlements and logistics etc., the Group can conduct its trading business efficiently with its current operating structure.

Outlook

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

Turnover

The Group's turnover represents the invoiced value of goods sold, net of discounts and sales related taxes. For the year ended 31 December 2010, turnover rose by approximately 1.51% to approximately HK$2,614,184,000 (2009: approximately HK$2,575,279,000), which was mainly contributed by the increase of approximately 19.81% in the trading of consumer electronic products to approximately HK$1,453,555 (2009: approximately HK$1,213,196) due to the market demand increase on the consumer electronic products after the financial crisis in the year of 2008 which offset the decrease of approximately 14.79% in the trading of electronics components & parts business to approximately HK$1,160,629,000 (2009: approximately HK$1,362,083,000) due to fierce competition in this market segment.

Liquidity and financial resources

The Group's financial and liquidity positions were healthy and stable as at 31 December 2010. As at 31 December 2010, the aggregate outstanding borrowings with related companies of the Group were approximately HK$287,277,000 (2009: approximately HK$267,259,000) which were unsecured and interested bearing. Such fluctuation was within the normal pattern of operations of the Group. The Group's cash and bank balances amounted to approximately HK$48,880,000 (2009: approximately HK$105,446,000), together with trading receivables amounted to approximately HK$391,202,000 (2009: approximately HK$679,097,000). The Group's net current assets approximate to HK$30,874,000 (2009: approximately HK$13,524,000) and the Group did not have any charges on its assets. The management were confident that with some proper arrangements for fund, the Group's financial resources would be sufficient to finance the daily operation.

Assets and liabilities

As at 31 December 2010, total assets of the Group amounted to approximately HK$566,370,000 (2009: approximately HK$803,376,000) and total liabilities of the Group were approximately HK$535,105,000 (2009: approximately HK$789,312,000). Net assets amounted to approximately HK$31,265,000 (2009: approximately HK$14,064,000) which was attributed to the profit for the year of approximately HK$17,201,000 recorded for the year ended 31 December 2010.

Contingent liabilities

On 9 June 2006, Koninkljke Philips Electronics N.V. and United States Philips Corporation commenced a lawsuit against the Defendants. The Defendants were claimed damages for patent infringement for the distribution of unlicensed DVD products within the USA.

On 20 June 2007, a settlement has been reached between the plaintiffs and the defendants and the proceedings were dismissed without prejudice. Pursuant to the terms of the settlement, Apex Digital, Inc. US is to pay a total amount of approximately US$3,284,000 to the plaintiffs by installments. Subsequently, Apex Digital, Inc. US, Mr. Ji, the Company, Apex Digital, LLC and Apex Digital Inc Limited entered into an agreement dated 18 September 2007 pursuant to which Apex Digital, Inc. US and Mr. Ji agreed to bear all the payment under the above settlement.

Capital commitment

At 31 December 2010, the Group had not authorised, contracted or provided any capital commitments.

Foreign exchange exposure

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

Employment and remuneration policy

As at 31 December 2010, the total number of the Group's staff was 19 (2009: 19). The total staff costs (including Directors) amounted to approximately HK$7,879,000 (2008: approximately HK$6,695,000) for the year. The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group provides retirement benefit for its employees in Hong Kong in form of mandatory provident fund.

The Group established a share options scheme to reward its employees for their individual performance.

As at 31 December 2010, there were no outstanding share options. During the year, no share option had been granted nor exercised. The share options scheme has expired on 10 January 2010.

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

Capital structure

The Group manages its capital structure to ensure optimal capital structure and shareholder returns, using the capital to promote the brand name products as ultimately increasing the market share in consumer industry. Further capital may be used to increase its horizon. Capital of the Group comprises all components of equity, cash and bank balances and loan from a related company.

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

Significant investments

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

Future plans for material investments and expected source of funding

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

Material acquisitions and disposals

The Group had no material acquisitions and disposals for the year ended 31 December 2010.

(c) For the year ended 31 December 2009

Business review

The Group is engaged in the trading business of consumer electronic products and related electronic parts and components. To process orders from customers, the Group places purchase orders according to the requirements in the corresponding sales orders and the Group does generally not handle the logistics and warehousing of the orders.

The Group has accomplished an improved operating revenue of approximately HK$2,575,279,000 (2008: approximately HK$1,324,975,000) and a profit for the year of approximately HK$21,467,000 (2008: approximately HK$5,702,000) for the year ended 31 December 2009. The Group's revenue for 2009 increased approximately 94% over that of 2008.

For the year ended 31 December 2009, the Group's gross margin was approximately 2.43% which represented a remarkable growth of approximately 17.96% as compared with 2008 due to lower cost of sales as compared with the year ended 31 December 2008. The total selling expenses, administrative expenses and finance costs increased reasonably due to increase in revenue.

Apex Digital Inc. Limited, a subsidiary of the Company, raised a legal suit against Apex Digital (Shanghai) on 17 October 2008 due to Apex Digital (Shanghai)'s default in the repayment of its operating funds borrowed from Apex Digital Inc. Limited. On 17 April 2009, the court ordered Apex Digital (Shanghai) to repay the amount of RMB6,003,365.72. The Group has fully provided for such amount due from Apex Digital (Shanghai) in the accounts of 2006. As at (the Latest Practicable Date and 31 December 2011, Apex Digital (Shanghai) had not made any of the above repayment. The Company has written off the aforesaid amount owed by Apex Digital (Shanghai).

Also the Company tried various measures for the collection of the service deposit of approximately HK$2,496,000 owed by Ms. Fei Liqiong (an American) and which has been provided in the accounts of the year 2007, a repayment agreement has been proposed but had not been finalized in the year 2009. As at 31 December 2009, no repayment has been set off.

On 30 October 2009, trading of the Company's share has been resumed as the Company fulfilled all the resumption requirements from the Stock Exchange. A new master supply and purchase agreement has entered into between the Company and the substantial shareholder of the Company (i.e. Sichuan Changhong Electric Co., Limited) on 20 November 2009 and has been approved by independent shareholders at the special general meeting held on 29 December 2009.

During the business operations in the past years, the Group has established a stable clientele base of customers and competitive supplying resources; the Group was able to secure orders from the customers without spending extra effort, manpower and costs in developing new markets.

Moreover, by utilizing the Hong Kong's advantages as a free-trade region with abundant and efficient ancillary services for trading business at low-costs, such as international settlements and logistics etc., the Group can conduct its trading business efficiently with its current operating structure.

Outlook

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

Turnover

The Group's turnover represents the invoiced value of goods sold, net of discounts and sales related taxes. For the year ended 31 December 2009, turnover rose by approximately 94.36% to approximately HK$2,575,279,000 (2008: approximately HK$1,324,975,000), which was mainly contributed by the increase in the trading of consumer electronic products by approximately 322.14% to approximately HK$1,213,196,000 (2008: approximately HK$287,392,000) and the trading of electronic components & parts business by approximately 31.27% to approximately HK$1,362,083,000 (2008: approximately HK$1,037,583,000) as more efforts and resources were being put by the Company to its business development..

Liquidity and financial resources

The Group's financial and liquidity positions were healthy and stable as at 31 December 2009. As at 31 December 2009, the aggregate outstanding borrowings with related companies of the Group were approximately HK$267,259,000 (2008: approximately HK$654,455,000) which were unsecured and interested bearing (2008: approximately HK$669,956,000). Such fluctuation was within the normal pattern of operations of the Group. The Group's cash and bank balances amounted to approximately HK$105,446,000 (2008: approximately HK$119,032,000), together with trading receivables amounted to approximately HK$679,097,000 (2008: approximately HK$446,058,000). The Group's net current assets approximate to HK$13,524,000 (2008: approximately HK$8,021,000) and the Group does not have any charges on its assets. The management were confident that the Group's financial resources would be sufficient to finance the daily operation.

Assets and liabilities

As at 31 December 2009, total assets of the Group amounted to approximately HK$803,376,000 (2008: approximately 951,885,000) and total liabilities of the Group were HK$789,312,000 (2008: approximately HK$959,288,000). Net assets amounted to approximately HK$ 14,064,000 (2008: approximately HK$7,403,000 net liabilities) which was attributed to the profit for the year of approximately HK$21,467,000 recorded for the year ended 31 December 2009.

Contingent liabilities

On 9 June 2006, Koninkljke Philips Electronics N.V. and United States Philips Corporation commenced a lawsuit against the Defendants. The Defendants were claimed damages for patent infringement for the distribution of unlicensed DVD products within the USA.

On 20 June 2007, a settlement has been reached between the plaintiffs and the defendants and the proceedings were dismissed without prejudice. Pursuant to the terms of the settlement, Apex Digital, Inc. US is to pay a total amount of approximately US$3,284,000 to the plaintiffs by installments. Subsequently, Apex Digital, Inc. US, Mr. Ji, the Company, Apex Digital, LLC and Apex Digital Inc Limited entered into an agreement dated 18 September 2007 pursuant to which Apex Digital, Inc. US and Mr. Ji agreed to bear all the payment under the above settlement.

Capital commitment

At 31 December 2009, the Group had not authorised, contracted or provided any capital commitments..

Foreign exchange exposure

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 2009, the total number of the Group's staff was 19 (2008: 16). The total staff costs (including Directors) amounted to approximately HK$6,695,000 (2008: approximately HK$5,958,000) for the year. The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group provides retirement benefit for its employees in Hong Kong in form of mandatory provident fund.

The Group established a share options scheme to reward its employees for their individual performance. As at 31 December 2009, there were no outstanding share options. During the year, no share option had been granted nor exercised. The share options scheme has expired on 10 January 2010.

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

Capital structure

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

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

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

Significant investments

As at 31 December 2009, the Group did not have any significant investment.

Future plans for material investments and expected source of funding

The Group continued to consolidate its existing businesses while exploring new business opportunities that would enhance its existing businesses. As at 31 December 2009, the Group was considering various investment projects and options but had not made any decision for its pursuing.

Material acquisitions and disposals

The Group had no material acquisitions and disposals for the year ended 31 December 2009.

11. PROPERTY INTERESTS AND PROPERTY VALUATION

The Group has leased 2 properties with gross floor areas of approximately 134 sq.m. and 231.05 sq.m. located in Shenzhen, the PRC and Hong Kong respectively. An overview of the said property interests are set out as follows:

No.	Address	Area	Usage	Commencement Date	Expiring Date	Rent	Remarks
		(sq.m.)				*(RMB)*	
1	Room 7, Level 25, Changhong Technology Centre, No. 12 Technology Road South, Nanshan District, Shenzhen City, Guangdong Province, the PRC	134.00	Office	1-Jul-11	30-Jun-14	8,375	The rent is on monthly basis and is exclusive of outgoing expenses.
2	Room 3701 on 37th Floor of West Tower Shun Tak Centre Nos. 168-200 Connaught Road Central Hong Kong	231.05	Office	16-Sep-11	15-Sep-13	114,402.00 (HK$)	The rent is on monthly basis and is inclusive of government rent and property tax but exclusive of other outgoing expenses.
	Total	**365.05**					