ANNUAL REPORT

2011

CHINA DATA BROADCASTING HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
Stock Code : 8016

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

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

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

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CORPORATE INFORMATION

Registered office	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Head office and principal place of business	Unit 3701, 37/F, West Tower, Shun Tak Centre 168-200 Connaught Road Central Hong Kong
Bermuda principal share registrar and transfer office	HSBC Securities Services (Bermuda) Limited Bank of Bermuda Building 6 Front Street Hamilton HM 11 Bermuda
Hong Kong branch share registrar and transfer office	Hong Kong Registrars Limited 1712-1716, Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited China Insurance Group Building 141 Des Voeux Road Central, Sheung Wan Hong Kong
Stock exchange	Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
Stock code	8016
Website	www.cdb-holdings.com.hk
E-mail address	LEE@cdb-holdings.com.hk
Board of Directors Executive Directors	Mr. YU Xiao Mr. TANG Yun Mr. David JI Long Fen Mr. WU Xiang Tao Mr. XIANG Chao Yang Mr. WANG Zhen Hua (resigned on 6/3/2012) Mr. RONG Dong Ms. SHI Ping

CORPORATE INFORMATION

Independent Non-executive Directors	Mr. Jonathan CHAN Ming Sun Mr. Robert IP Chun Chung Mr. SUN Dong Feng
Authorised representatives	Mr. TANG Yun Mr. LEE Wing Lun CPA (HKICPA & CPA Aust.), ACIS & ACS
Compliance officer	Mr. TANG Yun
Qualified accountant	Mr. LEE Wing Lun CPA (HKICPA & CPA Aust.), ACIS & ACS
Company secretary	Mr. LEE Wing Lun CPA (HKICPA & CPA Aust.), ACIS & ACS
Bermuda resident representative	Mr. John Charles Ross COLLIS
Bermuda deputy resident representative	Mr. Anthony Devon WHALEY
Audit Committee	Mr. Jonathan CHAN Ming Sun (Chairman) Mr. Robert IP Chun Chung Mr. SUN Dong Feng
Remuneration Committee	Mr. Jonathan CHAN Ming Sun (Chairman, joined on 13/1/2012) Mr. YU Xiao Mr. Robert IP Chun Chung Mr. SUN Dong Feng
Nomination Committee	Mr. YU Xiao (Chairman) Mr. Jonathan CHAN Ming Sun Mr. Robert IP Chun Chung (joined on 13/1/2012) Mr. SUN Dong Feng
Auditor	SHINEWING (HK) CPA Limited 43/F, The Lee Gardens 33 Hysan Avenue, Causeway Bay Hong Kong

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. YU Xiao, aged 43, joined the Company as Executive Director and Chairman in November 2006. Mr. Yu is responsible for overseeing the strategies and directions of the Group. He holds a Bachelor Degree in National Economic Management from Sichuan University in the Peoples' Republic of China ("PRC") and has more than 21 years of experience in financial and economic management.

Mr. TANG Yun, aged 46, joined the Company as Executive Director and Managing Director in November 2006. Mr. Tang is in charge of the operation and management of the Company. He obtained a Master Degree in Applied Physics from University of Electronic Science and Technology of China in the PRC and has more than 22 years of experience in engineering and marketing in consumer electronic industry.

Mr. WU Xiangtao, aged 38, joined the Company as Executive Director and Deputy Managing Director in May 2008. Mr. Wu is responsible for the Group's trading business of consumer electronic products. He holds a Master Degree in Business Administration from Southwestern University of Finance and Economics and a Bachelor Degree in International Trade and Economics from Shandong University in the PRC and recently obtained a Master Degree in Business Administration from University of Glasgow, United Kingdom. He has more than 15 years of experience in consumer electronic industry.

Mr. XIANG Chao Yang, aged 54, joined the Company as Executive Director in November 2006. Mr. Xiang is responsible for the PRC legal affairs of the Company. He obtained a Master Degree in Criminal Law of China from Sichuan University and a Bachelor Degree of Law from Southwest University of Political Science and Law in the PRC. He has more than 23 years of experience in law.

Mr. David JI Long Fen, aged 59, joined the Company as Executive Director in May 2003. Mr. Ji is principally responsible for the Group's business operations in the United States of American. He graduated from the Department of Foreign Languages of Fudan University in Shanghai, the PRC and holds a Master Degree in Business Administration from Pacific States University in United States of America ("USA"). He has more than 20 years of experience in the consumer electronics industry in USA, including sourcing and wholesale operations.

Mr. WANG Zhenhua, aged 59, joined the Company as Executive Director in December 2006. Mr. Wang is principally responsible for sourcing of products for the Group. He obtained a Master Degree in Business Administration from Tianjin University in the PRC and has more than 35 years experience in industrial and foreign trade enterprises. Mr. Wang has resigned the position with effective on 6 March 2012.

Ms. SHI Ping, aged 49, joined the Company as Executive Director in May 2007. Ms. Shi is principally responsible for the investment and business merger of the Group. She obtained a Master Degree in Managerial Economics from Nanyang Technology University in Singapore, a Master Degree in Industrial Management Engineering from Chengdu University of Science and Technology and a Bachelor Degree in Chemical Engineering from Hunan University in the PRC and has more than 26 years experience in economics and engineering management.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. RONG Dong, aged 34, joined the Company as Executive Director and Assistant to Managing Director in June 2010. Mr. Rong is principably responsible for trading business of electronic parts and components. He obtained a Master Degree of Business Administration in Industrial Management from Sheffield Hallam University in United Kingdom and Diploma in Economics and Trade English from Hunan Institute of Engineering in the PRC and has more than 13 years experience in operation management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Jonathan CHAN Ming Sun, aged 40, joined the Company as Independent Non-Executive Director in February 2007. Mr. Chan was appointed as the Chairman of Audit Committee and Remuneration Committee, also the member of Nomination Committee. He is an Associate Director of Go-To-Asia Investment Limited and an independent non-executive director of Capital VC Limited (formerly Sino Katalytics Investment Corporation) and Shenyang Public Utility Holdings Company Limited. He obtained his Bachelor Degree of Commerce in Accounting and Computer Information System from University of New South Wales, Australia. He is also a member of Hong Kong Institute of Certified Public Accountants and Certified Public Accountants, Australia. He has over 13 years of experience in investment and corporate finance.

Mr. Robert IP Chun Chung, aged 55, joined the Company as Independent Non-Executive Director in February 2007. Mr. Ip is the member of Audit Committee, Remuneration Committee and Nomination Committee. He is a practising solicitor in Hong Kong and is a non-executive director of Poly (Hong Kong) Investment Limited. He obtained the Bachelor Degree in Arts from University of Hong Kong and held a CPE Diploma and Diploma in Law from the College of Law, United Kingdom. He is also a member of the Law Society of Hong Kong and the Law Society of England and Wales. He has over 30 years of experience in legal aspects.

Mr. SUN Dongfeng, aged 44, joined the Company as Independent Non-Executive Director in February 2007. Mr. Sun is the member of Audit Committee, Remuneration Committee and Nomination Committee. He is a senior partner of Guantao Law Firm as well as a legal advisor for a numbers of companies. He graduated from China University of Political Science and Law, and obtained a Master Degree of Law in International Economics from the School of Law of University of Canberra, Australia. He has over 15 years of experience in legal aspects.

SENIOR MANAGEMENT

Mr. LEE Wing Lun, aged 53, is the Financial Controller and Secretary of the Company and is responsible for the financial and accounting management and secretarial affairs of the Company. Also Mr. Lee is an independent non-executive director of Vinco Financial Group Limited. He graduated from Australian National University with a Bachelor Degree in Commerce and obtained a Master Degree of Corporate Governance and Postgraduate Diploma in Corporate Administration from Polytechnic University of Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants, the CPA Australia, the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. He has over 17 years of working experience in auditing, accounting and finance matters including over 6 years in several audit firms and has been the financial controller of a trading group.

Mr. LIU Jianhua, aged 35, is the Financial Controller of the subsidiaries and is responsible for the financial and accounting management of the subsidiaries. He holds a Bachelor Degree in Accounting from Sichuan University in the PRC and has more than 11 years of experience in accounting and financial management.

CHAIRMAN'S STATEMENT

Dear Shareholders,

The Group achieved a steady business operations in the year 2011 against the recession of the global economy and the unstable regional economic and politics environments.

FINANCIAL SUMMARY

- Revenue for the year ended 31 December 2011 was slightly 4.21% higher than the previous year, reaching approximately HK$2,724.33 million.

- A net profit of approximately HK$10.47 million for the year ended 31 December 2011 was generated from operations.

BUSINESS REVIEW

During the year, the Company and its subsidiaries (collectively the "Group") engaged in trading business in the consumer electronic industry (the "Trading Business"). The Group has accomplished an improved operating revenue of approximately HK$2,724.33 million and an operating profit of approximately 19.90 million. The revenue for year 2011 was slightly 4.21% higher than the previous year 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 2.26% as compared with 2010. The increase was due to continuous effort of the management in the fierce competitive industry.

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

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

CHAIRMAN'S STATEMENT

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial and liquidity positions are healthy and stable. As at 31 December 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$71.89 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.

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 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.

As at 31 December 2011, there were no outstanding share options. During the year under review, no share option had been granted non exercised.

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.

CAPITAL STRUCTURE

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

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

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

SIGNIFICANT INVESTMENTS AND ACQUISITION

CHAIRMAN'S STATEMENT

As at 31 December 2011, the Group preliminary investigated a possible acquisition.

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

CONTINGENT LIABILITIES

As at 31 December 2011, the Group did not have any material contingent liabilities.

IMPLEMENTATION OF THE AMENDED LISTING RULES

The Company is considering several issues such as appointment of a new Independent Non-Executive Director, adopting new remuneration policy for Directors and Senior Management to enable the substantial part of the remuneration of all the executive directors and the senior management be linked with the operation performance of the Company and seeking suitable insurance agent for the directors and officers liabilities to meet the requirement of the updated listing rules.

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.

YU Xiao
Chairman

26 March 2012

CORPORATE GOVERNANCE REPORT

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

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

COMPLIANCE WITH THE CODE PROVISIONS OF THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

COMMUNICATION WITH SHAREHOLDERS

As of 31 December 2011, the Company's controlling shareholder is Sichuan Changhong Electric Co., Limited ("Sichuan Changhong") which directly and indirectly held approximately 33.34% of the Company's share. While the substantial shareholders are Sichuan Investment Management Company Limited and Mr. David Ji Long Fen ("Mr. Ji") directly held approximately 24.85% and 13.33% respectively. The remaining shares capital of approximately 28.48% was held by public stakeholders. The Company uses a number of formal channels to account to shareholders for the performance and operations of the Company, particularly through the annual, interim and quarterly reports.

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

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS AND BOARD MEETINGS

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

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

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

Executive Directors

Mr. YU Xiao
Mr. TANG Yun
Ms. SHI Ping
Mr. David JI Long Fen
Mr. XIANG Chao Yang
Mr. WANG Zhenhua (resigned on 6/3/2012)
Mr. WU Xiangtao
Mr. RONG Dong

Independent Non-Executive Directors

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

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

CORPORATE GOVERNANCE REPORT

The Company is entered into agreement with an insurance company for directors' and officers' liabilities and will review the terms of such insurance annually.

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

The directors with relevant experience and qualifications, have exercised due care to the significant issues of the Group.

Board meetings are held at least once a quarter and when necessary. During the year, the Board met on 13 occasions and the details of the attendance of the directors at the respective meetings were as follows:

Name of Directors	**Board Meeting**	**Audit Committee Meeting**	**Nomination Committee Meeting**	**Remuneration Committee Meeting**
Executive Director				
Mr. David JI Long Fen	1/13	N/A	N/A	N/A
Mr. YU Xiao	7/13	N/A	N/A	1/1
Mr. TANG Yun	13/13	N/A	N/A	N/A
Mr. XIANG Chao Yang	4/13	N/A	N/A	N/A
Mr. WANG Zhenhua	4/13	N/A	N/A	N/A
Ms. SHI Ping	6/13	N/A	N/A	N/A
Mr. WU Xiangtao	2/13	N/A	N/A	N/A
Mr. RONG Dong	6/13	N/A	N/A	N/A
Independent Non-Executive Director				
Mr. Jonathan CHAN Ming Sun	5/13	4/4	N/A	N/A
Mr. Robert IP Chun Chung	4/13	4/4	N/A	0/1
Mr. SUN Dongfeng	5/13	4/4	N/A	1/1

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

CORPORATE GOVERNANCE REPORT

DIRECTORS' SECURITIES TRANSACTIONS

The Company has complied with the requirements of director's securities transaction stated in the GEM Listing Rules to regulate the directors' securities transactions. All directors have confirmed that they have complied with the requirements as set out in the GEM Listing Rules during the period between 1 January 2011 and 31 December 2011.

TRAINING

The Company would request the Company's legal advisor to provide suitable seminars for all directors and company secretary to meet the new requirement during year 2012.

CHAIRMAN AND MANAGING DIRECTOR

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

BOARD COMMITTEES

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

AUDIT COMMITTEE

Membership

The members of the committee are Mr. Jonathan Chan Ming Sun (Chairman), Mr. Robert Ip Chun Chung and Mr. Sun Dong Feng. All members have many years of experience and appropriate professional qualifications to fulfill their duties.

Responsibilities

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

During the year, the Committee held four meetings and the details of attendance was set out on page 13 of the report. The annual results for the year ended 31 December 2011 was reviewed by the Committee.

REMUNERATION COMMITTEE

Membership

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

Responsibilities

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

During the year, the Committee held a meeting and the details of attendance was set out on page 13 of the report.

NOMINATION COMMITTEE

Membership

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

CORPORATE GOVERNANCE REPORT

Responsibilities

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

The Board retained authority to determine the appointment while the Committee acted as advisor. During the year, the Committee did not held any meeting.

REMUNERATION, APPOINTMENT AND ROTATION OF DIRECTORS

The remuneration of senior management consists two portions: performance-linked monthly salary and performance-linked annual bonus. The performance-linked annual bonus is tied to the attainment of key performance indicators or targets. In terms of long term incentives, the old share option scheme was expired in January 2010 and no options were granted under this scheme. The remuneration of executive director is based on the Company's financial position in a fixed sum. The remuneration of independent non-executive director is determined by the Board under prevailing market conditions and the workload.

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

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

MANAGEMENT AND EMPLOYEES

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

EXTERNAL AUDITOR

The Company engaged SHINEWING (HK) CPA Limited ("Shinewing") as auditor of the Company. In 2011, the services provided by Shinewing included the audit of consolidated financial statements of the Group and financial statements of its subsidiaries. Also auditor had investigated the effectiveness of the internal control and financial reporting system of the Company.

The remuneration of the audit service rendered by the auditor of the Group was mutually agreed in view of the scope of services in the total amount of HK$900,000. The auditor and its affiliates also provided non-audit service of issuing of confirmation letter on continuing connected transaction to the Company which amounted to HK$40,000 during the period.

INTERNAL CONTROL

The Board conducts regular reviews on the effectiveness of the internal controls to ensure that the operation is legally, the assets of the Company are safeguarded and enhance the accuracy and reliability of the financial information that the Company employs in its business or releases to the public. The management is responsible for establishing and maintaining internal control over financial reporting. The Company refers relevant requirement or regulations in establishing a stringent internal control system over financial reporting, refined the routine mechanism of internal controls and effectively guarded against the risks of misstatement, omission and fraud in financial reporting. Meanwhile, pursuant to external regulatory requirements and the development of businesses and internal management processes, the Company reviewed the reasonableness and effectiveness of internal control procedures covering business strategy, finance, operations, marketing, legal compliance and other areas. The Company also explored the idea to establish a comprehensive risk management system framework which integrates internal control and risk management requirements, focus on high risk areas and business operations. The Company also actively conducted self-assessment and self-review on its internal control procedures on a annually basis. Throughout self-assessment and self-review, the Company is able to keep the compliance of internal control in business unit, enhance efficiency and hence reinforce the accountability of internal controls.

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

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

CONTINUOUS EVOLVEMENT OF CORPORATE GOVERNANCE

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

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements of the Company and the Group for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The Group's profit for the year ended 31 December 2011 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 29 to 74.

The board do not recommend the payment of any dividend in respect of the year (2010: Nil).

SUMMARY OF FINANCIAL INFORMATION

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

Results

	Year ended 31 December				
	2011	2010	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**2,724,330**	2,614,184	2,575,279	1,324,975	320,949
Cost of sales	**(2,680,539)**	(2,573,094)	(2,512,715)	(1,297,743)	(315,952)
Gross profit	**43,791**	41,090	62,564	27,232	4,997
Other income	**226**	1,945	226	8,378	184
Distribution and selling expenses	**(8,451)**	(7,356)	(6,808)	(2,792)	(272)
Administrative expenses	**(15,662)**	(10,607)	(12,864)	(9,837)	(8,252)
Finance costs	**(6,449)**	(4,697)	(17,248)	(15,279)	(61)
Profit (Loss) before tax	**13,455**	20,375	25,870	7,702	(3,404)
Income tax expenses	**(2,984)**	(3,174)	(4,403)	(2,000)	(492)
Profit (Loss) for the year	**10,471**	17,201	21,467	5,702	(3,896)
Attributable to:					
Equity holders of the Company	**10,471**	17,201	21,467	5,702	(3,896)

REPORT OF THE DIRECTORS

Assets and Liabilities

	31 December				
	2011	2010	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**516,615**	566,370	803,376	951,885	104,897
Total liabilities	**(468,524)**	(535,105)	(789,312)	(959,288)	(118,002)
Total equity	**48,091**	31,265	14,064	(7,403)	(13,105)

PLANT AND EQUIPMENT

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

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons thereof, are set out in notes 29 and 30 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

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

DISTRIBUTABLE RESERVES

At 31 December 2011, the Company did not have any reserves available for distribution, other than the Company's share premium account, in the amount of approximately HK$34.49 million, which may be distributed in the form of fully paid bonus shares.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 67.47% of the total sales for the year and sales to the largest customer included therein amounted to approximately 41.64%. Purchases from the Group's five largest suppliers accounted for approximately 65.59% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 19.09%.

Whereas four customers and one supplier were subsidiaries of Sichuan Changhong, the sales and purchase accounted for approximately 25.83% and 13.13% of the total sales and purchase respectively for the year. Also Sichuan Changhong was one of the largest customer and supplier which accounted for approximately 41.64% and 19.09% of the total sales and purchases respectively.

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

PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The directors acknowledge their responsibility for the preparation of consolidated financial statements of the Group for the year ended 31 December 2011.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr. YU Xiao
Ms. SHI Ping
Mr. David JI Long Fen
Mr. TANG Yun
Mr. WU Xiangtao
Mr. XIANG Chao Yang
Mr. WANG Zhenhua (resigned on 6/3/2012)
Mr. RONG Dong (appointed on 1/6/2011)

Independent non-executive directors:

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

REPORT OF THE DIRECTORS

In accordance with clause 86 of the Company's bye-laws, Mr. WU Xiangtao, Mr. XIANG Chao Yang and Mr. CHAN Ming Sun, Jonathan will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on page 5 to 7 of the annual report.

DIRECTORS' SERVICE CONTRACTS

All directors (including directors proposed for re-election at the forthcoming annual general meeting) have not entered into any service contract with the Company.

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

DIRECTORS' INTERESTS IN CONTRACTS

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

INTERESTS OF THE DIRECTORS IN THE COMPANY

As at 31 December 2011, the interests and short positions of the Directors in the ordinary Shares of the Company (the "Shares"), underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Long positions in Shares

Name of Director	Number of Shares	Capacity	Type of Interest	Approximate percentage of interest %
Mr. Ji	44,520,000	Beneficial owner	Personal	13.33

Note

(a) On 20/1/2012, Mr. Ji sold 22,260,000 shares to Mr. Yu Shaobo, therefore his interest decreased to 6.67%.

Save as disclosed above, as at 31 December 2011, none of the Directors had interests in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS IN THE COMPANY

As at 31 December 2011, the persons or companies (not being a Director or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

Long positions in Shares

Name of substantial shareholder	Capacity	Number of Shares	Approximate percentage of interest %
Sichuan Changhong and its subsidiary *(note (a))*	Directly beneficially owned	111,368,000	33.34
Sichuan Investment Management Company Limited	Directly beneficially owned	83,009,340	24.85
Mr. Ji *(note (b))*	Directly beneficially owned	44,520,000	13.33
Ms. Liu Ru Ying *(note (c))*	Through spouse	44,520,000	13.33

Note

(a) On 11/5/2011, Changhong (Hong Kong) Trading Limited (ie. subsidiary of Sichuan Changhong) subscribed 16,000,000 shares of the Company.

(b) On 20/1/2012, Mr. Ji sold 22,260,000 shares to Mr. Yu Shaobo, therefore his interest decreased to 6.67%.

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

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

COMPETING INTEREST

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

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

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

CONTINUING CONNECTED TRANSACTIONS

During the year 2011, the following continuing connected transactions were carried out by the Group.

(a) Master Supply Agreement

On 20 November 2009, the Company entered into framework agreement ("Master Supply Agreement") with Sichuan Changhong in relation to the supply of electronic products and components to Sichuan Changhong and its subsidiaries. For the year ended 31 December 2011, the transactions amount under the Master Supply Agreement is subject to a cap of HK$2,299.00 million (2010: HK$2,090.00 million). The transactions under the Master Supply Agreement are subject to reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

For the year ended 31 December 2011, the sale made under the Master Supply Agreement amounted to HK$1,991.26 million (2010: HK$1,535.59 million) in total. The Master Supply Agreement will be expired on 31 December 2012.

(b) Master Purchase Agreement

On 20 November 2009, the Company entered into framework agreement ("Master Purchase Agreement") with Sichuan Changhong in relation to the purchase of consumer electronic products from Sichuan Changhong and its subsidiaries. For the year ended 31 December 2011, the transactions amount under the Master Purchase Agreement is subject to a cap of HK$1,512.50 million (2010: HK$1,375.00 million). The transactions under the Master Purchase Agreement are subject to reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

For the year ended 31 December 2011, the purchase made under the Master Purchase Agreement amounted to HK$924.26 million (2010: HK$1,323.06 million) in total. The Master Purchase Agreement will be expired on 31 December 2012.

Confirmation of Independent Non-executive Directors

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

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

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

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

Confirmation from Auditor of the Company

The Board has received a confirmation from the auditor of the Company with respect to the above continuing connected transactions and the letter stated that for the year 2011, the above continuing connected transactions:

(i) have been approved by the Board;

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

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

REPORT OF THE DIRECTORS

COMPLIANCE WITH CODE OF BEST PRACTICE

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

AUDITOR

The financial statements of the Group for the year ended 31 December 2011 were audited by Messrs. Shinewing who shall retire and, being eligible, offer themselves for re-appointment.

For and on behalf of the Board

YU Xiao
Chairman

Hong Kong
26 March 2012

INDEPENDENT AUDITOR'S REPORT

信永中和 ShineWing

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

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

We have audited the consolidated financial statements of China Data Broadcasting Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 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.

INDEPENDENT AUDITOR'S REPORT

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 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 HK$'000	Share premium HK$'000	(Accumulated losses)/ retained profits HK$'000	Total HK$'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 *HK$'000*	2010 *HK$'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 ("HKFRSs")

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

Amendments to HKFRSs	Improvements to HKFRSs 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 HKFRSs 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.

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

Amendments to HKAS 1 Presentation of Financial Statements (as part of Improvements to HKFRSs 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 Arrangments[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.

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

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.

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

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 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.

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

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

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

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements 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.

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

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

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of HKFRS 10 may result in the Group no longer consolidating some of its investees. 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 HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment on financial assets (Continued)

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition *(Continued)*

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Estimated impairment of trade and bills receivables (Continued)

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

6. FINANCIAL INSTRUMENTS *(Continued)*

(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.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Currency risk *(Continued)*

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.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Interest rate risk *(Continued)*

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.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

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 *HK$'000*	1-3 months *HK$'000*	Over 3 months but less than 1 year *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at 31/12/2011 *HK$'000*
2011					
Non-derivative financial liabilities					
Trade 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

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

	Repayable on demand or less than 1 month *HK$'000*	1-3 months *HK$'000*	Over 3 months but less than 1 year *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at 31/12/2010 *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 ***HK$'000***	2010 *HK$'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.

9. SEGMENT INFORMATION *(Continued)*

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 **HK$'000**	2010 HK$'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 **HK$'000**	2010 HK$'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 HK$'000	Salaries and allowances HK$'000	Retirement benefits scheme contributions HK$'000	Performance related incentive payments HK$'000	Total HK$'000
Executive directors					
Mr. David Ji Long Fen	–	240	–	–	240
Ms. Shi Ping	–	–	–	–	–
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

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

(a) Directors' emoluments *(Continued)*

For the year ended 31 December 2010

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

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

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

	2011	2010
	'000	*'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 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

19. TRADE AND BILLS RECEIVABLES *(Continued)*

Ageing of trade and bills receivables which are past due 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 HK$'000	Balance at 31/12/2010 HK$'000	Maximum amount outstanding during the year HK$'000
Apex Digital Inc. (Incorporated in British Virgin Islands) ("ADIBVI") *(Note a)*	Unsecured, interest free and repayable on demand	**65**	65	65
Apex Digital (Shanghai) Co., Ltd ("ADSH") *(Note b)*	Unsecured, interest free and repayable on demand	**4**	4	4
		69	69	

At 31 December 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.

Notes:

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

b. Mr. Ji, a director of the Company, had beneficial interest in 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.

30. SHARE OPTION SCHEME *(Continued)*

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 *HK$'000*	2010 *HK$'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)

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

Notes:

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

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

	Share premium *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 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 ***HK$'000***	2010 *HK$'000*
Minimum lease payments under operating lease during the year	**1,276**	1,065

32. OPERATING LEASE COMMITMENTS *(Continued)*

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

	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	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	Interest expense paid	**2,581**	3,008

34. RELATED PARTY TRANSACTIONS *(Continued)*

(a) *(Continued)*

Notes:

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

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

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

(b) Compensation of key management personnel

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

	2011 ***HK$'000***	2010 *HK$'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.