Changhong Jiahua Holdings Limited
(長虹佳華控股有限公司)

(Incorporated in Bermuda with limited liability)

(Stock Code: 8016)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

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

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This announcement, for which the directors (the "Directors") of Changhong Jiahua Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

RESULTS

The board of directors (the "Board") of the Company is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2015.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	NOTES	**2015** **HK$'000**	2014 HK$'000 (Represented)
Continuing operations			
Revenue	*2*	**19,839,112**	17,558,794
Cost of sales		**(19,030,068)**	(16,796,745)
Gross profit		**809,044**	762,049
Other income	*3*	**23,555**	27,166
Distribution and selling expenses		**(335,515)**	(300,995)
Administrative expenses		**(174,334)**	(148,460)
Finance costs	*5*	**(52,428)**	(62,302)
Profit before tax		**270,322**	277,458
Income tax expenses	*6*	**(71,605)**	(80,352)
Profit for the year from continuing operations	*7*	**198,717**	197,106
Discontinued operation			
Loss for the year from discontinued operation	*12*	**(66,968)**	(3,810)
Profit for the year		**131,749**	193,296
Profit/loss for the year attributable to owners of the Company:			
– from continuing operations		**198,717**	188,920
– from discontinued operation		**(66,968)**	(3,810)
Profit for the year attributable to owners of the Company		**131,749**	185,110
Profit for the year attributable to non-controlling interest:			
– from continuing operations		**–**	8,186
– from discontinued operation		**–**	–
Profit for the year attributable to non-controlling interest		**–**	8,186
		131,749	193,296
Earnings per share	*8*		
From continuing and discontinued operations			
Basic and Diluted *(HK cents)*		**5.13**	7.48
From continuing operations			
Basic and Diluted *(HK cents)*		**7.73**	7.63

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015	2014
	HK$'000	*HK$'000*
		(Represented)
Profit for the year	**131,749**	193,296
Other comprehensive (expense) income		
Item that may be reclassified subsequently to profit		
Exchange difference arising from translation of foreign operations	**(74,801)**	(7,510)
Other comprehensive expense for the year	**(74,801)**	(7,510)
Total comprehensive income for the year	**56,948**	185,786
Total comprehensive income (expense) attributable to owners of the Company:		
– from continuing operations	**123,916**	181,775
– from discontinued operation	**(66,968)**	(3,810)
	56,948	177,965
Total comprehensive income attributable to non-controlling interest:		
– from continuing operations	**–**	7,821
– from discontinued operation	**–**	–
	–	7,821
	56,948	185,786

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	NOTES	2015 HK$'000	2014 HK$'000
Non-current assets			
Plant and equipment		**25,287**	25,154
Available-for-sale investment		**9,849**	–
		35,136	25,154
Current assets			
Inventories		**1,613,065**	1,542,822
Trade and bills receivables	9	**1,465,233**	2,070,943
Trade deposits paid		**775,599**	342,141
Prepayments, deposits and other receivables		**26,565**	69,324
Tax recoverable		**–**	965
Pledged bank deposits		**107,646**	241,131
Bank balances and cash		**150,970**	212,204
		4,139,078	4,479,530
Assets classified as discontinued operation		**2,150**	–
		4,141,228	4,479,530
Current liabilities			
Trade and bills payables	10	**1,995,326**	2,009,424
Other payables		**161,285**	153,172
Customer deposits		**193,621**	154,965
Amount due to ultimate holding company		**–**	2,767
Tax payables		**7,460**	37,714
Borrowings		**524,925**	868,500
		2,882,617	3,226,542
Liabilities associated with assets classified as discontinued operation		**14,801**	–
		2,897,418	3,226,542
Net current assets		**1,243,810**	1,252,988
Total assets less current liabilities		**1,278,946**	1,278,142
Non-current liability			
Deferred income		**4,725**	9,459
Net Assets		**1,274,221**	1,268,683
Capital and Reserves			
Share capital		**36,366**	36,366
Convertible preference shares		**27,897**	27,897
Reserves		**1,209,958**	1,204,420
Total equity attributable to owners of the Company		**1,274,221**	1,268,683

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Share capital *HK$'000*	Convertible preference share *HK$'000*	Share premium *HK$'000*	Statutory reserve *(note i)* *HK$'000*	Merger reserve *(note ii)* *HK$'000*	Translation reserve *HK$'000*	Other reserve *(note iii)* *HK$'000*	Contributed surplus *(note iv)* *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*	Non-controlling interest *HK$'000*	Total *HK$'000*
At 1 January 2014	11,725	46,947	1,789,766	42,175	(1,248,106)	44,875	–	–	295,892	983,274	99,623	1,082,897
Profit for the year	–	–	–	–	–	–	–	–	185,110	185,110	8,186	193,296
Exchange differences arising on translation	–	–	–	–	–	(7,145)	–	–	–	(7,145)	(365)	(7,510)
Total comprehensive (expenses) income for the year	–	–	–	–	–	(7,145)	–	–	185,110	177,965	7,821	185,786
Conversion of convertible preference shares	19,050	(19,050)	–	–	–	–	–	–	–	–	–	–
Appropriation to statutory reserve	–	–	–	2,988	–	–	–	–	(2,988)	–	–	–
Acquisition of non-controlling interests	5,591	–	305,285	–	–	–	(203,432)	–	–	107,444	(107,444)	–
At 31 December 2014	36,366	27,897	2,095,051	45,163	(1,248,106)	37,730	(203,432)	–	478,014	1,268,683	–	1,268,683

	Share capital *HK$'000*	**Convertible preference share** *HK$'000*	**Share premium** *HK$'000*	**Statutory reserve (note i)** *HK$'000*	**Merger reserve (note ii)** *HK$'000*	**Translation reserve** *HK$'000*	**Other reserve (note iii)** *HK$'000*	**Contributed surplus (note iv)** *HK$'000*	**Retained earnings** *HK$'000*	**Total** *HK$'000*	**Non-controlling interest** *HK$'000*	**Total** *HK$'000*
At 1 January 2015	**36,366**	**27,897**	**2,095,051**	**45,163**	**(1,248,106)**	**37,730**	**(203,432)**	**-**	**478,014**	**1,268,683**	**-**	**1,268,683**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**131,749**	**131,749**	**-**	**131,749**
Exchange differences arising on translation	**-**	**-**	**-**	**-**	**-**	**(74,801)**	**-**	**-**	**-**	**(74,801)**	**-**	**(74,801)**
Total comprehensive (expenses) income for the year	**-**	**-**	**-**	**-**	**-**	**(74,801)**	**-**	**-**	**131,749**	**56,948**	**-**	**56,948**
Appropriation to statutory reserve	**-**	**-**	**-**	**4,372**	**-**	**-**	**-**	**-**	**(4,372)**	**-**	**-**	**-**
Conversion of share premium to contributed surplus	**-**	**-**	**(2,095,051)**	**-**	**-**	**-**	**-**	**2,095,051**	**-**	**-**	**-**	**-**
Dividends recognised as distribution	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(51,410)**	**-**	**(51,410)**	**-**	**(51,410)**
At 31 December 2015	**36,366**	**27,897**	**-**	**49,535**	**(1,248,106)**	**(37,071)**	**(203,432)**	**2,043,641**	**605,391**	**1,274,221**	**-**	**1,274,221**

Notes:

(i) Statutory reserve

In accordance with the Articles and Association of the People's Republic of China (the "PRC") subsidiaries and the relevant laws and regulations applicable in the PRC, companies now comprising the Group established in the PRC are required to appropriate at least 10% of their statutory annual profits after tax determined in accordance with the relevant statutory rules and regulations applicable to enterprises in the PRC to the statutory reserve until the balance of the reserve reaches 50% of their respective registered capitals. Subject to certain restrictions as set out in the relevant PRC regulations, the statutory reserve may be used to offset against accumulated losses of the respective PRC companies. The amount of the transfer is subject to the approval of the board of director of the respective PRC companies.

(ii) Merger reserve

The merger reserve represents the difference between the considerations and the assets and liabilities acquired under business combinations at the first date under common control.

(iii) Other reserve

The other reserve represents the difference between the consideration paid and the carrying values of non-controlling interests acquired during the year ended 31 December 2014.

(iv) Contributed surplus

On 15 May 2015, a resolution was passed on the annual general meeting to approve the reduction of the amount of approximately HK$2,095,051,000 standing to the credit of the share premium account of the Company and the transfer of the entire amount to the contributed surplus account of the Company.

Notes:

1. GENERAL INFORMATION

Changhong Jiahua 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 1502, 15/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 ("HK$") which is different from the functional currency of the Company, being United States dollars ("USD"). As the Company is a public company with the shares listed on the Stock Exchange with most of its investors located in Hong Kong, the directors consider that HK$ is preferable in presenting the operating result and financial position of the Group. Other than those subsidiaries established in PRC whose functional currency is Renminbi ("RMB"), the functional currency of other subsidiaries is USD.

Sichuan Changhong Electronic Co., Limited ("Sichuan Changhong"), a company incorporated in the People's Republic of China (the "PRC") and listed on Shanghai Stock Exchange, has obtained the control over the board of directors of the Company since 2012. In the opinion of the directors, the ultimate holding company of the Company is Sichuan Changhong as at 31 December 2015 and the date of approval of these financial statements by board of directors of the Company.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 2.

2. REVENUE

The principal activities of the Group are the provision of professional integrated IT solutions and services, and distribution of IT corporate products, digital products, own brand products and related parts and components.

Revenue represents net amount received and receivable for the sale of different types of IT products, self developed products, provision of professional integrated IT solutions and services and corresponding sales related taxes. The amounts of each significant category of revenue recognised in revenue for the year from continuing operations are as follows:

	2015	2014
	HK$'000	*HK$'000*
		(Represented)
IT Consumer Products	**13,344,279**	12,138,903
IT Corporate Products	**4,813,135**	5,268,553
Others	**1,681,698**	151,338
	19,839,112	17,558,794

3. OTHER INCOME

	2015	2014
	HK$'000	*HK$'000*
		(Represented)
Continuing operations		
Bank interest income	**10,864**	7,991
Reversal of impairment losses recognised on trade receivables	**2,989**	–
Gain on disposal of plant and equipment	**54**	138
Government subsidies *(Note)*	**5,028**	8,724
Gain on disposal of subsidiaries	**–**	7,437
Others	**4,620**	2,876
	23,555	27,166

Note:

Included in government subsidies, an amount of approximately HK$629,000 (2014: nil) is a one-off government subsidy that was received from local government authorities of which the entitlement was unconditional and under the discretion of the relevant authorities.

4. SEGMENT INFORMATION

Information reported to the board of directors of the Company, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided as they collectively make strategic decision towards the group entity's operation.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

Continuing operations:

1) IT Consumer Products – distribution of IT consumer products which include mainly personal computers, digital products and IT accessories.

2) IT Corporate Products – distribution of IT corporate products which include mainly storage products, minicomputers, networking products, personal computer servers, intelligent building management system products and unified communication and contact centre products.

3) Others – distribution of smartphones and development of its own brand products including but not limited to mobile location-based service products and provision of professional integrated IT solutions and services.

Discontinued operation:

Consumer Electronic Products – trading of consumer electronic products which include mainly LCD panels, electronic parts and components.

The accounting policies of the operating segments are the same as the Company's accounting policies. Segment profit represents the profit earned by each segment without allocation of other income, finance costs as well as unallocated head office and corporate expenses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets do not include plant and equipment, prepayment, deposits and other receivables for general operating, tax recoverable, pledged bank deposits, bank balances and cash and available-for-sale investment. Segment liabilities do not include other payables for general operating, tax payables, amount due to ultimate holding company, deferred income and borrowings.

The segment information reported on the next page does not include any amounts of the above discontinued operation, which is described in more detail in Note 12.

The following is an analysis of the Group's revenue and results from continuing operations, as well as assets and liabilities by reportable and operating segment:

For the year ended 31 December 2015

Continuing operations

	IT Consumer products *HK$'000*	**IT Corporate products** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Revenue				
External sales	**13,344,279**	**4,813,135**	**1,681,698**	**19,839,112**
Segment profit	**156,495**	**292,301**	**24,103**	**472,899**
Other income				**23,555**
Finance costs				**(52,428)**
Unallocated head office and corporate expenses				**(173,704)**
Profit before tax (continuing operations)				**270,322**

Continuing operations

	IT Consumer products *HK$'000*	IT Corporate products *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment assets	**2,029,758**	**1,585,140**	**238,999**	**3,853,897**
Unallocated assets:				
Pledged bank deposits				**107,646**
Bank balances and cash				**150,970**
Prepayments, deposits and other receivables				**26,565**
Plant and equipment				**25,287**
Available-for-sale Investment				**9,849**
				4,174,214
Total segment assets				
Assets relating to discontinued operation				**2,150**
Consolidated assets				**4,176,364**
Segment liabilities	**1,173,036**	**944,185**	**71,726**	**2,188,947**
Unallocated liabilities:				
Other payables				**161,285**
Tax payable				**7,460**
Borrowings				**524,925**
Deferred income				**4,725**
Total segment liabilities				**2,887,342**
Liabilities relating to discontinued operation				**14,801**
Consolidated liabilities				**2,902,143**

For the year ended 31 December 2014

Continuing operations

	IT Consumer products HK$'000	IT Corporate products HK$'000	Others HK$'000	Total HK$'000 (Represented)
Revenue				
External sales	12,138,903	5,268,553	151,338	17,558,794
Segment profit	151,128	287,633	1,031	439,792
Other income				27,166
Finance costs				(62,302)
Unallocated head office and corporate expenses				(127,198)
Profit before tax (continuing operations)				277,458

	IT Consumer products HK$'000	IT Corporate products HK$'000	Consumer Electronic products HK$'000	Others HK$'000	Total HK$'000
Segment assets	1,829,946	2,040,109	38,786	47,065	3,955,906
Unallocated assets:					
Pledged bank deposits					241,131
Bank balances and cash					212,204
Prepayments, deposits and other receivables					69,324
Tax recoverable					965
Plant and equipment					25,154
Total assets					4,504,684
Segment liabilities	1,222,483	921,328	9,987	10,591	2,164,389
Unallocated liabilities:					
Other payables					153,172
Tax payable					37,714
Borrowings					868,500
Amount due to ultimate holding company					2,767
Deferred income					9,459
Total liabilities					3,236,001

For the year ended 31 December 2015

Continuing operations

	IT Consumer products *HK$'000*	IT Corporate products *HK$'000*	Others *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:					
Impairment losses recognised on trade receivables	9,099	3,627	–	–	12,726
Reversal for impairment losses recognised on trade receivables	–	–	(2,989)	–	(2,989)
Allowance for obsolete inventories	824	552	304	–	1,680
Research and development expenses	–	–	17,451	–	17,451
Addition to non-current assets	–	–	–	19,934	19,934
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:					
Depreciation	–	–	–	8,495	8,495
Gain on disposal of plant and equipment	–	–	–	(54)	(54)
Bank interest income	–	–	–	(10,864)	(10,864)
Finance costs	–	–	–	52,428	52,428
Income tax expenses	–	–	–	71,605	71,605

For the year ended 31 December 2014

Continuing operations

	IT Consumer products *HK$'000*	IT Corporate products *HK$'000*	Others *HK$'000*	Unallocated *HK$'000*	Total *HK$'000* (Represented)
Amounts included in the measure of segment profit or loss or segment assets:					
Impairment losses recognised on trade receivables	18,323	6,620	181	–	25,124
Reversal of allowance for inventories	(948)	(2,462)	(189)	–	(3,599)
Research and development expenses	–	–	12,599	–	12,599
Addition to non-current assets	–	–	–	5,840	5,840
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:					
Depreciation	–	–	–	8,709	8,709
Gain on disposal of plant and equipment	–	–	–	(138)	(138)
Bank interest income	–	–	–	(7,991)	(7,991)
Finance costs	–	–	–	62,302	62,302
Income tax expenses	–	–	–	80,352	80,352

Geographical information

The following table provides an analysis of the Group's sales from continuing operations by geographical market, based on the origin of the goods:

	2015	2014
	HK$'000	*HK$'000*
		(Represented)
Mainland, China	**19,823,627**	17,540,146
Other regions	**15,485**	18,648
	19,839,112	17,558,794

The following is an analysis of the carrying amount of non-current assets analysed by the geographical area in which the assets are located:

	Carrying amount of non-current assets	
	2015	2014
	HK$'000	*HK$'000*
Hong Kong	**–**	24
Mainland, China	**35,136**	25,130
	35,136	25,154

Information about major customers

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

	2015	2014
	HK$'000	*HK$'000*
Customer A	**N/A***	1,981,253

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

5. FINANCE COSTS

Continuing operations

	2015	2014
	HK$'000	*HK$'000*
		(Represented)
Interest on:		
Borrowings repayable within 5 years	**29,212**	27,379
Discount of bills receivables	**14,852**	26,271
Guarantee fee	**8,364**	8,652
	52,428	62,302

6. INCOME TAX EXPENSES

	2015	2014
	HK$'000	*HK$'000*
		(Represented)
Continuing operations		
Current tax:		
Hong Kong Profits Tax		
– Provision for the year	**882**	40
PRC Enterprise Income Tax		
– Provision for the year	**70,510**	80,312
– Under-provision in prior years	**213**	–
	70,723	80,312
	71,605	80,352

(i) Pursuant to the rules and regulations of the Bermuda, the Company is not subject to any income tax in the Bermuda.

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

(iii) Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rates of Changhong IT Information Products Co., Ltd., Changhong IT Digital Technology Co., Ltd. and Beijing Changhong IT Intelligence System Co., Ltd are 25% from 1 January 2008 onwards.

Withholding tax

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$1,069,441,000 (2014: HK$815,093,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

7. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

Continuing operations

	2015	2014
	HK$'000	*HK$'000*
		(Represented)
Depreciation for plant and equipment	**8,495**	8,709
Auditor's remuneration	**1,530**	1,580
Directors' emoluments	**11,337**	10,442
Cost of inventories recognised as an expense	**19,030,068**	16,796,745
Staff costs, including directors' emoluments		
– Salaries and related staff costs	**187,481**	175,653
– Retirement benefits scheme contributions	**44,854**	43,875
	232,335	219,528
Exchange loss, net	**28,428**	2,911
Allowance for obsolete inventories (included in cost of sales)	**1,680**	–
Impairment losses recognised on trade receivables (included in administrative expenses)	**12,726**	25,124
Reversal of allowance for inventories (included in cost of sales)	**–**	(3,599)
Research and development expenses (included in selling expenses) *(Note)*	**17,451**	12,599
Minimum lease payments in respect of rented premises	**14,303**	13,854

Note:

During the year ended 31 December 2015, research and development costs excluded staff costs of approximately HK$13,925,000 (2014: HK$11,971,000) for the Group's employees engaged in research and development activities which are included in staff costs.

8. EARNINGS PER SHARE

From continuing and discontinued operations

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

	2015	2014
	HK$'000	*HK$'000*
		(Represented)
Earnings		
Profit for the year attributable to owners of the Company	**131,749**	185,110

	2015	2014
	'000	*'000*
Number of Share		
Weighted average number of ordinary shares and convertible preference shares for the purpose of basic and diluted earnings per share	**2,570,520**	2,475,544

As there were no dilutive potential shares during the two years ended 31 December 2015 and 2014, the diluted earnings per share is the same as basic earnings per share.

From continuing operations

The calculation of the basic and diluted earnings per share from continuing operation attributable to the owners of the Company is based on the following data:

Earnings figures are calculated as follows:

	2015	2014
	HK$'000	*HK$'000*
		(Represented)
Profit for the year attributable to owners of the Company	**131,749**	185,110
Add:		
Loss for the year from discontinued operation	**66,968**	3,810
Earnings for the purpose of basic and diluted earnings per share from continuing operations	**198,717**	188,920

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operation

Basic and diluted loss per share for the discontinued operation is HK2.60 cents per share (2014: HK0.15 cents per share), based on the loss for the year from the discontinued operation of approximately HK$66,968,000 (2014: approximately HK$3,810,000) and the denominators detailed above for basic loss per share.

9. TRADE AND BILLS RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**1,379,782**	2,063,299
Less: Provision of impairment loss	**(55,414)**	(48,714)
	1,324,368	2,014,585
Bills receivables	**140,865**	56,358
Trade and bills receivables	**1,465,233**	2,070,943

The Company allows an average credit period of 30-180 days (2014: 30-180 days) to its third party and related party trade customers. 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. 72% (2014: 79%) 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.

Included in the Company's trade and bills receivable balance are debtors with aggregate carrying amount of approximately HK$410,580,000 (2014: HK$426,513,000) 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.

The following is an aged analysis of trade and bills receivables, net of allowance for doubtful debts, based on the invoice dates at the end of the reporting period which approximated the respective revenue recognition dates:

	2015	2014
	HK$'000	*HK$'000*
Within 30 days	**587,868**	1,343,862
31 – 60 days	**417,576**	407,365
61 – 90 days	**194,166**	132,411
91 – 180 days	**182,438**	75,685
181- 365 days	**45,549**	74,708
Over 1 year	**37,636**	36,912
	1,465,233	2,070,943

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

	2015	2014
	HK$'000	*HK$'000*
Within 30 days	**246,792**	197,744
31 – 60 days	**62,556**	99,776
61 – 90 days	**14,948**	65,708
91 – 180 days	**28,818**	35,181
Over 180 days	**57,466**	28,104
	410,580	426,513

As 31 December 2015, the carrying amount of the trade and bills receivables which have been pledged as security for the bank borrowings is approximately HK$247,372,000 (2014: HK$99,225,000). The carrying amount of the associated bank borrowings is approximately HK$151,573,000 (2014: HK$79,380,000).

Included in trade and bills receivables is the following amount denominated in currencies other than the functional currency of the relevant group entities:

	2015	2014
	HK$'000	*HK$'000*
USD	**–**	18,754

Movement of impairment losses recognised on trade receivables

	2015	2014
	HK$'000	*HK$'000*
Balance at beginning of the year	**48,714**	23,921
Impairment losses recognised on trade receivables	**12,726**	25,124
Reversal of impairment losses recognised on trade receivables	**(2,989)**	–
Exchange realignment	**(3,037)**	(331)
Balance at the end of the year	**55,414**	48,714

Included in the allowance for trade receivables are individually impaired trade receivables with an aggregate balance of approximately HK$55,414,000 (2014: HK$48,714,000) as at 31 December 2015, which have been in severe financial difficulties.

The followings are the Group's financial assets as at 31 December 2015 and 2014 that are transferred to banks by discounting those trade and bills receivables on a full recourse basis. At the Group has not transferred the significant risks and rewards relating to these trade and bills receivables, it continues to recognise the full carrying amount of the trade and bills receivables and has recognised the cash received on the transfer as a secured borrowing. These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

	2015	2014
	HK$'000	*HK$'000*
Trade and bills receivables pledged as security		
Carrying amount of transferred assets	**247,372**	99,225
Carrying amount of associated liabilities	**(151,573)**	(79,380)
Net position	**95,799**	19,845

Included in the Group's trade receivable balance as at 31 December 2015, HK$228,450,000 (2014: HK$304,664,000), representing 17% (2014: 15%) of the total trade receivables, is due from the Group's largest customer. There are no other customers who represent more than 5% of the total trade receivable balance as at the end of the reporting periods.

10. TRADE AND BILLS PAYABLES

No balances were due to the ultimate holding company of the Company (2014: HK$7,650). The ageing analysis of trade and bills payables, based on the date of receipt of goods, is as follows:

	2015	2014
	HK$'000	*HK$'000*
Within 30 days	**1,638,918**	1,764,698
31 – 60 days	**61,026**	82,607
61 – 90 days	**277,646**	4,771
91 – 180 days	**3,483**	140,846
181 – 365 days	**6,151**	5,593
Over 1 year	**8,102**	10,909
	1,995,326	2,009,424

Included in trade and bills payables is the following amount denominated in currencies other than the functional currency of the relevant group entities:

	2015	2014
	HK$'000	*HK$'000*
USD	**49,934**	188,496

The average credit period on purchase of goods is 30 – 120 days (2014: 30 – 120 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

11. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND NEW HONG KONG COMPANIES ORDINANCE

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKAS(s)"), amendments and Interpretations ("Int(s)"), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions

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

Annual Improvements to HKFRSs 2010-2012 Cycle

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company consider that the application of the amendments to HKFRSs 2010-2012 Cycle has had no material impact in the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2011-2013 Cycle

The Annual Improvements to HKFRSs 2011-2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The amendments are applied prospectively. The directors of the Company consider that the application of the amendments to HKFRSs 2011-2013 Cycle has had no material impact in the Group's consolidated financial statements.

Part 9 of Hong Kong Companies Ordinance (Cap. 622)

In addition, the annual report requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year. As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[1]
Amendments to HKAS 1	Disclosure Initiative[1]

Amendments to HKAS 16 and HKAS 38	Clarification of Acceptance Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]

1 Effective for annual period beginning on or after 1 January 2016.
2 Effective for annual periods beginning on or after 1 January 2018.
3 Effective date not yet been determined.

The directors of the Company anticipate that, except as described below, the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows:

- 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designed as at fair value through profit or loss ("FVTPL"), HKFRS 9 (2014) requires that 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 an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL was presented in profit or loss.

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014), it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 (2014) 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. Changes in the fair value of financial liabilities attributable to changes in credit risk of financial liabilities that are designated as at fair value through profit or loss.

HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

i) Identify the contract with the customer;

ii) Identify the performance obligations in the contract;

iii) Determine the transaction price;

iv) Allocate the transaction price to the performance obligations; and

v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted. The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Annual Improvements to HKFRSs 2012-2014 Cycle

The Annual Improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 clarify that changing from one of the disposal methods (i.e. disposal through sale or disposal through distribution to owners) to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in HKFRS 5. Besides, the amendments also clarify that changing the disposal method does not change the date of classification.

The amendments to HKFRS 7 clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in HKFRS 7 in order to assess whether the additional disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety are required. Besides, the amendments to HKFRS 7 also clarify that disclosures in relation to offsetting financial assets and financial liabilities are not required in the condensed interim financial report, unless the disclosures provide a significant update to the information reported in the most recent annual report.

The amendments to HKAS 19 clarify that the market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

HKAS 34 requires entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'. The amendments to HKAS 34 clarify that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2012-2014 Cycle will have a material effect on the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of revenue-based depreciation methods for plant and equipment under HKAS 16. The amendments to HKAS 38 introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be rebutted only in the following limited circumstances:

i) when the intangible asset is expressed as a measure of revenue;

ii) when a high correlation between revenue and the consumption of the economic benefits of the intangible assets could be demonstrated.

The amendments to HKAS 16 and HKAS 38 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied prospectively.

As the Group use straight-line method for depreciation of plant and equipment, the directors do not anticipate that the application of the amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 1 Disclosure Initiative

The amendments clarify that companies should use professional judgement in determining what information as well as where and in what order information is presented in the financial statements. Specifically, an entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity does not require to provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material. This is the case even if the HKFRS contain a list of specific requirements or describe them as minimum requirements.

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity's financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

Furthermore, the amendments clarify that:

i) an entity should consider the effect on the understandability and comparability of its financial statements when determining the order of the notes; and

ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

The amendments will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted.

The directors of the Company anticipate that the application of Amendments to HKAS 1 in the future may have a material impact on the disclosures made in the Group's consolidated financial statements.

12. DISCONTINUED OPERATION

During the year ended 31 December 2015, the Group ceased its operation in trading of consumer electronic products that is classified as consumer electronic products segment in Note 4.

Accordingly, the operating results of the trading of consumer electronic products for the year ended 31 December 2015 are presented as discontinued operation in the consolidated financial statements. The presentation of comparative information in respect of the year ended 31 December 2014 has been reclassified to conform to the current's presentation.

The results of the consumer electronic products for the years were as follows:

	2015 *HK$'000*	2014 *HK$'000*
Revenue	**146,495**	593,916
Cost of sales	**(160,265)**	(591,558)
Gross (loss) profit	**(13,770)**	2,358
Other income	**7,085**	28
Distribution and selling expenses	**(794)**	(2,080)
Administrative expenses	**(59,489)**	(4,071)
Finance costs	**–**	(1)
Loss before tax	**(66,968)**	(3,766)
Income tax expenses	**–**	(44)
Loss for the year from discontinued operation (attributed to owners of the company)	**(66,968)**	(3,810)

Loss for the year from discontinued operation has been arrived at after charging (crediting):

	2015 *HK$'000*	2014 *HK$'000*
Cost of inventories recognised as an expense	**160,265**	591,558
Staff costs		
– Salaries and related staff costs	**870**	1,058
– Retirement benefits scheme contributions	**34**	38
	904	1,096
Waive of trade payables	**(7,041)**	–
Depreciation	**9**	38
Auditor's remuneration	**200**	100
Minimum lease payments under operating leases in respect of office properties	**1,234**	1,593
Exchange loss, net	**146**	93
Impairment losses recognised on trade receivables (included in administrative expenses)	**55,489**	–
Bank interest income	**(1)**	(5)

	2015	2014
	HK$'000	*HK$'000*
Net cash used in operating activities	**(25,608)**	(55,814)
Net cash generated from investing activities	**1**	4,645
Net cash generated from (used in) financing activities	**17,751**	(7,758)

The major classes of assets and liabilities of the consumer electronic products as at 31 December 2015, which have been presented separately in the consolidated statement of financial position, are as follows:

	2015
	HK$'000
Plant and equipment	**15**
Inventories	**728**
Prepayments, deposits and other receivables	**716**
Bank balances and cash	**691**
Total assets classified as discontinued operation	**2,150**
Trade and bills payables *(Note)*	**9,575**
Provision *(Note)*	**3,756**
Other payables	**972**
Customer deposits	**498**
Total liabilities associated with assets classified as discontinued operation	**14,801**

Note:

On 16 June 2015, certain purported suppliers of the wholly-owned subsidiary, Changhong Overseas Development Limited ("CHOD") had made visits to the office of CHOD to seek for outstanding payments resulted from misappropriation of assets by an ex-employee. Details are set out in the Company's announcements dated 19 June 2015, 20 July 2015 and 19 October 2015.

Afterwards, CHOD entered into settlement agreements with the purported suppliers in respect of their claims. CHOD has mutually agreed with most of these purported suppliers for the settlement payments in respect of the claims from them.

At 31 December 2015, there were certain outstanding claims from purported suppliers with total amount of approximately HK$9,407,000. In the opinion of directors of the Company, an additional provision of approximately HK$3,756,000 was made for these claims. These have been recognised in the liabilities associated with assets classified as discontinued operation included in the consolidated statement of financial position.

13. CONTINGENT LIABILITIES

The Group entered into labour service agreements separately with two employment agencies (the "Employment Agencies"), each an independent third party labour service company, to provide contractual workers for its production. Pursuant to the labour service agreement, the Employment Agencies will instruct these contractual workers to follow the direction of the Group's management for day-to-day work assignments. However, under the PRC Labour Contract Law, if each of the Employment Agencies violates the PRC Labour Contract Law and such violation results in damages to the contractual workers, the Group would be jointly and severally liable for the compensation payables to the contractual workers.

The Group has not paid the social insurance contribution and housing provident fund for these contractual workers in respect of the bonus paid by the Group to those contractual workers under the agreements made between the labour service company and these contractual workers.

As at 31 December 2015, The Group has total accumulated unpaid amount of social insurance of approximately HK$29,796,000 (2014: HK$29,796,000) and unpaid amount of housing provident fund of approximately HK$10,394,000 (2014: HK$10,394,000). Provisions for the unpaid amounts had been recognised and included in other payables. As at 31 December 2015, the Group had not received any notice from the relevant housing fund or social security authorises ordering the Group to make outstanding payments or rectification, or any administrative penalties from the relevant authorities. The relevant authorities may request the Group at any time to pay up the outstanding amount of the social insurance or housing provident fund contributions and may impose a fine of up to three times of the unpaid amount of social insurance and housing provident fund on the Group if the above mentioned unpaid amounts are not settled within the time specified in the notice. The fine will be recognised in the consolidated statement of financial position if the Group does not settle the unpaid amounts within a specific time upon the request. During the years ended 31 December 2015 and 2014, no such request was received by the Group.

EXTRACT OF REPORT OF THE AUDITORS

The following is an extract of the independent auditor's report on the Group's consolidated financial statement for the year ended 31 December 2015.

Basis for Qualified Opinion

The Group's distribution business for certain consumer electronic products conducted by Changhong Overseas Development Limited, a wholly-owned subsidiary of the Company ("CHOD") has discontinued ("Discontinued Operation"). In the course of auditing CHOD, its accounting books and records were found to be incomplete. As such, we are unable to obtain sufficient supporting documentation and explanations, to carry out audit procedures to satisfy ourselves as to whether the loss for the year from discontinued operation of approximately HK$66,968,000 for the year ended 31 December 2015, assets classified as discontinued operation of approximately HK$2,150,000 and liabilities associated with assets classified as discontinued operation of approximately HK$14,801,000 as at 31 December 2015 are fairly stated. Details of the financial information of Discontinued Operation are set out in Note 14 to the consolidated financial statements.

Any adjustments found to be necessary in relation to the transactions of CHOD as mentioned above would have consequential impacts on the Group's net assets as at 31 December 2015 and the profit for the year then ended and the financial figure disclosed in Note 14 to the consolidated financial statements.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules which sets out corporate governance principles and code provisions (the "Code Provisions") throughout the year ended 31 December 2015, the Company has complied with all the Code Provisions as set out under the CG Code, save for the deviations of Code Provisions A.4.3 and E.1.2 as provided below:

Code Provision A.4.3

Mr. Jonathan CHAN Ming Sun, Mr. Robert IP Chun Chung and Mr. SUN Dongfeng have served the Group as an independent non-executive Director for nine years. Pursuant to Code Provision A.4.3 of the Code, (a) having served the Company for more than nine years could be relevant to the determination of an independent non-executive director's independence and (b) if an independent non-executive director has served more than nine years, his further appointment should be subject to a separate resolution to be approved by shareholders. Accordingly, the rotation and re-election of Mr. Jonathan CHAN Ming Sun, Mr. Robert IP Chun Chung and Mr. SUN Dongfeng shall be approved by shareholders by way of separate resolution at the forthcoming annual general meeting of the Company.

Mr. Jonathan CHAN Ming Sun is a certified accountant in Hong Kong and Australia, and both Mr. Robert IP Chun Chung and Mr. SUN Dongfeng have extensive experience in the legal field. Their participations in the Board bring independent judgments on issues relating to the Group's accounts, internal controls, nominations of directors, conflicts of interests and other management matters. The Board considered the re-elections of Mr. Jonathan CHAN Ming Sun, Mr. Robert IP Chun Chung and Mr. SUN Dongfeng as independent non-executive Directors can safeguard the interests of the Shareholders. The Board has received from each of Mr. Jonathan CHAN Ming Sun, Mr. Robert IP Chun Chung and Mr. SUN Dongfeng a confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules, and noted that they have not engaged in any executive management of the Group. Taking into consideration of their independent scope of works in the past years, the

Directors consider each of Mr. Jonathan CHAN Ming Sun, Mr. Robert IP Chun Chung and Mr. SUN Dongfeng to be independent under the GEM Listing Rules despite the fact that each of them will be serving the Company for more than nine years if they are re-elected at the forthcoming annual general meeting of the Company.

Code provision E.1.2

Pursuant to E.1.2 of the CG Code, the Chairman should attend the annual general meeting. However, Mr. Zhao Yong was unable to attend the annual general meeting held on 15 May 2015 due to other prior engagements.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors is appointed for a twelve month term, which is renewable automatically with a fixed amount of remuneration per annum. Mr. Jonathan CHAN Ming Sun, Mr. Robert IP Chun Chung and Mr. SUN Dongfeng have served the Group for more than nine years. Pursuant to Code Provision A.4.3, their further appointments should be subject to separate resolutions to be approved by the shareholders of the Company. Details of the relevant code provision and the re-election of Mr. Jonathan CHAN Ming Sun, Mr. Robert IP Chun Chung and Mr. SUN Dongfeng as independent non-executive Directors are set out on the pages 31 and 32 of this announcement.

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.

REMUNERATION COMMITTEE

The Company has established the remuneration committee with written terms of reference. The remuneration committee currently comprises three independent non-executive directors and one executive director. It is chaired by an independent non-executive director. During the year, the remuneration committee did not hold any meeting.

AUDIT COMMITTEE

The Company has established the audit committee with written terms of reference. The audit committee currently comprises four independent non-executive directors. At the discretion of the audit committee, executive directors and/or senior management personnel, overseeing the Group's finance and internal control functions, may be invited to attend meeting.

During the year under review, the audit committee held five meetings. The annual results for the year ended 31 December 2015 have been reviewed by the audit committee.

NOMINATION COMMITTEE

The Company has established the nomination committee with written terms of reference. The nomination committee currently comprises three independent non-executive directors and one executive director. It is chaired by the Chairman of the Board. During the year, the nomination committee did not hold any meeting.

INTERNAL CONTROL

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2015, the complicated economic environment and continuing fluctuations in the international financial market had made it more difficult for the global economy to recover. The growth of the economy in the PRC slowed down and was exposed to significant downward pressure. The growth of the IT market in the PRC also slowed down. The accelerated transformation of the industrial landscape and acceleration of the localization process in IT equipment procurement further intensified competition within the industry. The emergence and development of the new economic policy environment and new business models have brought new opportunities and development potential to the Group. By following the trendy concept of "Internet +" and the localization process, the Group proactively explored new business opportunities by establishing an internet distribution platform. Capitalizing on emerging technologies such as big data, cloud computing and mobile internet, the Group explored and expanded to various industry sectors. Meanwhile, the Group strengthened and refined its management and enhanced risk prevention and control. As such, the scale and earnings of the core businesses maintained a healthy and stable growth during the year ended 31 December 2015.

In 2015, the Group recorded revenue of approximately HK$19,839.11 million (exclude discontinued operation), representing an increase of approximately 12.99% as compared with that in the corresponding period of the last financial year. The gross profit margin of 2015 was 4.08%, representing a decrease of approximately 0.26% as compared with that in the corresponding period of the last financial year, the decrease of which was mainly due to intense market competition and the increase in contribution from the sale of product lines with relatively lower gross margins. Due to the significant loss in the Group's assets resulting from the misappropriation of assets by a former employee of CHOD, the profit attributable to shareholders amounted to approximately HK$131.75 million, representing a decrease of approximately 31.84% as compared with that in the corresponding period of the last financial year, and basic earnings per share amounted to HK5.13 cents, representing a decrease of HK2.35 cents as compared with HK7.48 cents in the corresponding period of the last financial year.

In 2015, the Group enhanced the management, improvement and optimization of its internal control system and strengthened risk management and control. The Group further enhanced customer credit and inventory management, proactively prevented the risk from receivables and inventory, accelerated capital revenue and maintained sufficient net cash flows in operating activities. Meanwhile, the Group adjusted its business development strategy by continuing optimizing its organizational structure and business process and streamlined human resources in order to improve its operating efficiency. In 2015, with the implementation of optimised cost controls and management, the Group's comprehensive expenses rate decreased significantly as compared with that for the last financial year despite the increase in strategic business investment and labor costs.

The Company has four different business segments which attributed to the financial results of the Group in 2015, namely, (i) IT consumer product distribution business; (ii) IT corporate products distribution business; (iii) consumer electronic products business and (iv) other business, details of which are set out in note 4 and 12 to the consolidated financial statements.

IT consumer products distribution business: Revenue in this segment increased by approximately 9.93% to HK$13,344.28 million as compared with the corresponding period last year. Profits in this segment increased by only approximately 3.55% to HK$156.50 million due to the intense market competition. Proactive efforts were made to explore new cooperation models with core providers, expand business coverage and promote sales through new channels and in the markets of fourth to sixth tier cities. As such, it maintained stable growth and market shares.

IT corporate products distribution business: Revenue in this segment decreased by approximately 8.64% to HK$4,813.14 million as compared with the corresponding period last year. Profits in this segment increased by approximately 1.62% to HK$292.30 million. The profit for the year 2015 increased as the Group made use of localization opportunities to give play to advantages in the integration of manufacturing and software resources and to strengthen the deep cooperation with global manufacturers, continued to promote industry solution and technology solution with cloud computing and big data comprehensive services and the integration and promotion of proprietary equipments so as to increase the value of services and business.

Consumer electronic products business: Revenue in this segment decreased by approximately 75.33% to HK$146.50 million as compared with the corresponding period last year. The loss increased by approximately 1,657.69% to HK$66.97 million was due to cessation of business during the year under review. The Company has ceased this segment since July 2015 after the business discontinuation of CHOD following an internal review of the Company in June 2015.

Other business: The Group's other business mainly represents the location-based service ("LBS") business and smart-phone business, and revenue in this segment increased by 1,011.22% to HK$1,681.70 million as compared with the corresponding period last year, and profits in this segment increased by 2,237.83% to HK$24.10 million due to the increase in sales of LBS.

On 15 May 2015, a resolution for share premium reduction was passed at the annual general meeting of the Company pursuant to which the share premium account of the Company, which as at 31 December 2014 amounted to HK$2,095,051,680, be reduced to zero balance and then be transferred to the contributed surplus account of the Company.

To enhance trading liquidity in the shares of the Company and to promote the Company's corporate image to public investors, the Company made an application to the Stock Exchange on 28 April 2015 for the Transfer of Listing in respect of the Company from the GEM Board to the Main Board. For further details, please refer to the announcements of the Company dated 28 April 2015 and 6 November 2015. Further updates will be provided by the Company from time to time as and when appropriate.

During the period under review, the management of CHOD reported to the Board that a former employee of CHOD had misappropriated certain assets of CHOD and the case was reported to the Hong Kong Police on 14 June 2015 (the "Incident"). The Incident may have a material adverse impact on the financial position of the CHOD. Also an independent committee has been established to investigate the Incident. Most claims/suits have been settled between the purported suppliers and CHOD. As at the date of this announcement, only negotiation with one purported supplier was still continuing but no further action has been taken by that particular supplier. For further details, please refer to the announcements of the Company dated 15 June 2015, 19 June 2015, 20 July 2015 and 19 October 2015. Further updates will be provided by the Company from time to time as and when appropriate. The Company has ceased this segment since July 2015 after the business discontinuation of CHOD following an internal review of the Company in June 2015.

LIQUIDITY AND FINANCIAL RESOURCES

For the period under review, the Group's financial and liquidity positions remained healthy and stable. As at 31 December 2015, the aggregate outstanding borrowings of the Group were approximately HK$524.93 million (2014: HK$868.50 million), which were partially unsecured and interest bearing. The decrease in the Group's borrowings was due to the repayment of loans during the year ended 31 December 2015 as the Group's financial positions was continuously improving. The Group's cash and bank balances amounted to approximately HK$258.62 million, together with trade and bills receivables amounted to approximately HK$1,465.23 million. For the year under review, the Group's net current assets approximate to HK$1,243.81 million and the Group did not have any charges on its fixed assets (2014: Nil). The net gearing ratio (total net debt/total shareholders' equity) of the Group as at 31 December 2015 was 2.27 times. The management is confident that with proper funding arrangements, the Group's financial resources are sufficient to finance its daily operations.

The Group's monetary assets and liabilities and transactions are principally denominated in Renminbi, Hong Kong dollars and United States dollars. As the spread of exchange rate of Renminbi is locked and the exchange rate between Hong Kong dollars and United States dollars is pegged, the Group believes its exposure to exchange risk is minimal. The Company will however continue to monitor the situation and assess whether any hedging arrangement is necessary.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2015, the total number of the Group's staff was 1,139 (2014: 1,223 staff). Total staff costs (including Directors) amounted to approximately HK$233.24 million for the year under review. The Group remunerates its employees based on their performance, experience and the prevailing industry practice. The Group provides retirement benefit for its employees in Hong Kong in the form of mandatory provident fund, and pays social pension insurance and housing provident fund for its employees in China in accordance with the local laws and regulations.

During the year under review, there were no outstanding share options granted or exercised as the share option scheme previously adopted by the Company had expired.

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

OUTLOOK

2016 marks the beginning of the "13th Five-year" Plan in the PRC. The development of the PRC economy and IT industry will bring about new opportunities for corporate development. In 2016, the PRC economy will experience a stable slowdown and provide a relatively stable growth platform. As the PRC steps into the Internet+ era, technology based on third-party platforms such as cloud computing, big data, mobile and social platforms will continue to penetrate many industries across the country, and professional solutions, software and hardware and services markets driven by such technology will grow rapidly and provide new momentum to the development of the IT market in the PRC. In 2016, by adhering to the guideline of "focusing on optimization, targeting on high efficiency, and achieving new development", the Group will continue to optimize its products, organization and operation management through new thinking, new methods and new measures so as to enhance its operational and financial efficiency and promote the healthy development of the Company. Based on the existing progress, the transition and upgrade of each business segment will continue intensively by exploring new models, new directions and new markets in order to achieve new progress and success, provide excellent IT comprehensive services to business partners, achieve sustainable and healthy development of the Company and create greater value for the shareholders in the long-run.

DIVIDEND

The Board recommended the payment of final dividend of HK$0.02 per share in respect of the year ended 31 December 2015 (2014: Nil), and there is no arrangement that a shareholder has waived or agreed to waive any dividend. The final dividend is expected to be paid on Tuesday, 7 June 2016 to all shareholders whose name appear on the register of members of the Company at the close of business on 24 May 2016 and is subject to approval by the shareholders at the forthcoming annual general meeting. The declared interim dividend for the period ended 30 June 2015 of HK$51,410,400 (HK$0.02 per share) was paid on 28 October 2015.

INTERESTS OF THE DIRECTORS IN THE COMPANY

As at 31 December 2015, the interests or short positions of the Directors and chief executives of the Company 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 (Chapter 571 of the laws of Hong Kong) (the "SFO")) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Division 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) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

Name of Director	Capacity	Number of Ordinary shares held	Approximate percentage of interest %
Mr. Zhu Jianqiu ("Mr. Zhu") *(Note a)*	Interest in a controlled corporation	82,415,762 (L)	5.67

Note:

(a) Mr. Zhu is the sole shareholder of the Typical Faith Limited, which in turn is holding the 82,415,762 Shares.

Save as disclosed in this paragraph, as at 31 December 2015, none of the Directors or chief executives of the Company 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) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2015 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate. No options have been granted to the directors up to the date of this announcement.

INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS IN THE COMPANY

So far as was known to the Directors, as at 31 December 2015, the persons or companies (not being a Director or chief executive of the Company) whose interests in the Shares or underlying Shares or debentures of the Company which would fall to be disclosed or were notified to the Company and the Stock Exchange pursuant to the positions under Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 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	Class of shares	Number of shares held	Approximate percentage of interest in relevant class of shares *(Note a)* %
Sichuan Changhong Electric Co, Limited ("Sichuan Changhong")	Interest of controlled corporation and beneficial owner	Ordinary Preference	1,008,368,000 (L) *(Note b)* 1,115,868,000 (L) *(Note c)*	69.32 100.00
Changhong (Hong Kong) Trading Limited	Interest of controlled corporation and beneficial owner	Ordinary Preference	913,000,000 (L) *(Note d)* 1,115,868,000 (L) *(Note c)*	62.76 100.00
Fit Generation Holding Limited	Beneficial owner	Ordinary Preference	897,000,000 (L) 1,115,868,000 (L)	61.66 100.00
Sichuan Investment Management Company Limited *(Note e)*	Beneficial owner	Ordinary	83,009,340 (L)	5.70
Typical Faith Limited *(Note f)*	Beneficial owner	Ordinary	82,415,762 (L)	5.67

Notes:

(a) The percentages are calculated based on the total number of Shares and preference shares of the Company in issue as at 31 December 2015, which were 1,454,652,000 and 1,115,868,000, respectively.

(b) Of the 1,008,368,000 Shares held by Sichuan Changhong, 95,368,000 Shares were held directly, 16,000,000 Shares were held through its wholly-owned subsidiary, Changhong (Hong Kong) Trading Limited and 897,000,000 Shares were held through Fit Generation Holding Limited, which is wholly owned by Changhong (Hong Kong) Trading Limited.

(c) 1,115,868,000 preference shares were held by Fit Generation Holding Limited, which is wholly owned by Changhong (Hong Kong) Trading Limited, which is a wholly-owned subsidiary of Sichuan Changhong.

(d) Of the 913,000,000 Shares, 16,000,000 Shares were held directly and 897,000,000 Shares were held through Fit Generation Holding Limited.

(e) Upon completion the acquisition of the entire issued share capital of Wide Miracle Limited on 5 June 2014, Sichuan Investment Management Company Limited ceased to be a connected person of the Company and its shareholding in the Company is counted towards public float.

(f) Typical Faith Limited is wholly-owned by Mr. Zhu.

Save as disclosed above, as at 31 December 2015, the Directors were not aware of any other person who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 5% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

DIRECTOR'S INTEREST IN A COMPETING BUSINESS

Sichuan Changhong is a substantial shareholder of the Company established in the PRC of which shares are listed on the Shanghai Stock Exchange. Sichuan Changhong is principally engaged in the wholesale business of consumer home electronics items under the name of "Changhong".

Save as disclosed in this paragraph, none of the Directors or the substantial 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 under review.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTING SECURITIES

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

STANDARD OF DEALINGS AND CODE OF CONDUCT FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors (the "Code of Conduct") as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct for securities transactions. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standards set out in the Code of Conduct.

By Order of the Board
Zhao Yong
Chairman

Hong Kong, 30 March 2016

As at the date of this announcement, the executive directors of the Company are Mr. Zhao Yong, Mr. Zhu Jianqiu, Mr. Yu Xiao, Mr. Tang Yun, Mr. Wu Xiangtao and Ms. Shi Ping and the independent non-executive directors of the Company are Mr. Jonathan Chan Ming Sun, Mr. Robert Ip Chun Chung, Mr. Sun Dongfeng and Mr. Cheng Yuk Kin.

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

This announcement will remain on the "Latest Company Announcement" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the website of the Company at http://www.changhongit.com.hk.