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 2014

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.

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 2014.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2014

	Notes	**2014**	2013
		HK$'000	*HK$'000*
TURNOVER	*2*	**18,152,710**	18,343,541
Cost of sales		**(17,388,303)**	(17,566,550)
GROSS PROFIT		**764,407**	776,991
Other income	*3*	**27,194**	35,634
Distribution and selling expenses		**(303,075)**	(306,246)
Administrative expenses		**(152,531)**	(141,894)
Finance costs	*5*	**(62,303)**	(108,314)
PROFIT BEFORE TAX		**273,692**	256,171
Income tax expenses	*6*	**(80,396)**	(58,673)
Profit for the year	*7*	**193,296**	197,498
Profit for the year attributable to:			
Owners of the Company		**185,110**	178,090
Non-controlling interests		**8,186**	19,408
		193,296	197,498
Earnings per share	*8*		
Basic		**7.48 cents**	7.98 cents
Diluted		**7.48 cents**	7.98 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014	2013
	HK$'000	*HK$'000*
Profit for the year	**193,296**	197,498
Other comprehensive (expense) income		
Items that may be reclassified subsequently to profit		
Exchange difference arising from translation of foreign operations	**(7,510)**	19,901
Other comprehensive (expense) income for the year, net of income tax	**(7,510)**	19,901
Total comprehensive (expense) income for the year	**185,786**	217,399
Total comprehensive income attributable to:		
Owners of the Company	**177,965**	196,001
Non-controlling interests	**7,821**	21,398
	185,786	217,399

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	**2014** *HK$'000*	2013 *HK$'000*
Non-current asset			
Plant and equipment		**25,154**	28,452
Current assets			
Inventories		**1,542,822**	1,831,192
Trade and bills receivables	*9*	**2,070,943**	1,465,166
Trade deposits paid		**342,141**	299,246
Prepayments, deposits and other receivables		**69,324**	135,404
Tax recoverable		**965**	1,962
Pledged bank deposits		**241,131**	191,951
Bank balances and cash		**212,204**	499,936
		4,479,530	4,424,857
Current liabilities			
Trade and bills payables	*10*	**2,009,424**	1,968,262
Other payables		**153,172**	190,400
Customer deposits		**154,965**	154,707
Amount due to ultimate holding company		**2,767**	3,219
Tax payable		**37,714**	4,961
Borrowings		**868,500**	530,740
		3,226,542	2,852,289
Net current assets		**1,252,988**	1,572,568
Total assets less current liabilities		**1,278,142**	1,601,020
Non-current liabilities			
Borrowings		**–**	504,051
Deferred income		**9,459**	14,072
		9,459	518,123
Net Assets		**1,268,683**	1,082,897
Capital and Reserves			
Share capital		**36,366**	11,725
Convertible preference shares		**27,897**	46,947
Reserves		**1,204,420**	924,602
Equity attributable to owners of the Company		**1,268,683**	983,274
Non-controlling interests		**–**	99,623
Total equity		**1,268,683**	1,082,897

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	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$'000*	Retained earnings *HK$'000*	Total *HK$'000*	Non-controlling interest *HK$'000*	Total *HK$'000*
At 1 January 2013	8,350	–	34,492	25,940	557,490	26,964	–	134,037	787,273	78,225	865,498
Profit for the year	–	–	–	–	–	–	–	178,090	178,090	19,408	197,498
Exchange differences arising on translation	–	–	–	–	–	17,911	–	–	17,911	1,990	19,901
Total comprehensive income for the year	–	–	–	–	–	17,911	–	178,090	196,001	21,398	217,399
Increase in share capital	3,375	–	131,625	–	–	–	–	–	135,000	–	135,000
Issue of convertible preference shares	–	46,947	1,623,649	–	–	–	–	–	1,670,596	–	1,670,596
Appropriation to statutory reserve	–	–	–	16,235	–	–	–	(16,235)	–	–	–
Merger reserve arising from common control combination	–	–	–	–	(1,805,596)	–	–	–	(1,805,596)	–	(1,805,596)
At 31 December 2013 and 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**
Issue of ordinary shares	**5,591**	**–**	**305,285**	**–**	**–**	**–**	**–**	**–**	**310,876**	**–**	**310,876**
Conversion of convertible preference shares	**19,050**	**(19,050)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Appropriation to statutory reserve	**–**	**–**	**–**	**2,988**	**–**	**–**	**–**	**(2,988)**	**–**	**–**	**–**
Acquisition of non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**(203,432)**	**–**	**(203,432)**	**(107,444)**	**(310,876)**
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**

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 capital. 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.

Notes:

1. GENERAL INFORMATION

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 GEM of 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 People's Republic of China ("PRC") whose functional currency is Renminbi ("RMB"), the functional currency of the Company and other subsidiaries is USD.

Sichuan Changhong Electronic Co., Limited ("Sichuan Changhong"), a company incorporated in 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 2014 and the date of approval of these financial statements by the Board of the Company.

During the year ended 31 December 2013, the Group acquired 100% equity interest of Sufficient Value Group Limited ("Sufficient Value Group"), of which ultimate holding company is Sichuan Chonghong. The Group resulting from the above mentioned transaction is regarded as a continuing entity. Accordingly, the consolidated financial statements of the Group have been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 Merger Accounting for Common Control Combinations as if the group structure under the group reorganisation had been in existence since the date when they first came under common control of Sichuan Chonghong.

The Company is an investment holding company. The principal activities of the Group are set out in note 2.

2. TURNOVER

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

Turnover 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 trading of consumer electronic products, net of discounts and corresponding sales related taxes. The amounts of each significant category of revenue recognised in turnover for the years ended 31 December 2014 and 2013 are as follows:

	2014	2013
	HK$'000	*HK$'000*
IT Consumer Products	**12,138,903**	11,168,587
IT Corporate Products	**5,268,553**	4,588,062
Consumer Electronic Products	**593,916**	2,313,947
Others	**151,338**	272,945
	18,152,710	18,343,541

3. OTHER INCOME

	2014	2013
	HK$'000	*HK$'000*
Bank interest income	**7,996**	4,697
Reversal of allowance to trade receivables	**–**	6,396
Gain on disposal of plant and equipment	**138**	109
Government subsidy	**8,724**	16,526
Exchange gain, net	**–**	5,605
Gain on disposal of subsidiaries	**7,437**	–
Others	**2,899**	2,301
	27,194	35,634

4. SEGMENT INFORMATION

Information reported to the Board, 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:

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

4) 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

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 bank interest expenses, unallocated income as well as 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 amounts due from related companies. Segment liabilities do not include other payables for general operating, tax payables, amount due to ultimate holding company, bank and other borrowings and deferred income.

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

Year ended 31 December 2014

	IT Consumer products *HK$'000*	IT Corporate products *HK$'000*	Consumer Electronic products *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue					
External sales	**12,138,903**	**5,268,553**	**593,916**	**151,338**	**18,152,710**
Segment profit	**151,128**	**287,633**	**2,358**	**1,031**	**442,150**
Other income					**27,194**
Finance costs					**(62,303)**
Unallocated head office and corporate expenses					**(133,349)**
Profit before tax					**273,692**

	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**

Year ended 31 December 2013

	IT Consumer products *HK$'000*	IT Corporate products *HK$'000*	Consumer Electronic products *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue					
External sales	11,168,587	4,588,062	2,313,947	272,945	18,343,541
Segment profit	159,640	304,129	23,107	734	487,610
Other income					35,634
Finance costs					(108,314)
Unallocated head office and corporate expenses					(158,759)
Profit before tax					256,171

	IT Consumer products *HK$'000*	IT Corporate products *HK$'000*	Consumer Electronic products *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment assets	1,882,710	1,698,954	8,366	19,540	3,609,570
Unallocated assets:					
Pledged bank deposits					191,951
Bank balances and cash					499,936
Prepayments, deposits and other receivables					121,438
Tax recoverable					1,962
Plant and equipment					28,452
Total assets					4,453,309
Segment liabilities	1,186,589	720,413	215,953	4,238	2,127,193
Unallocated liabilities:					
Other payables					186,176
Tax payable					4,961
Borrowings					1,034,791
Amount due to ultimate holding company					3,219
Deferred income					14,072
Total liabilities					3,370,412

Other segment information:

Year ended 31 December 2014

	IT Consumer products *HK$'000*	IT Corporate products *HK$'000*	Consumer Electronic 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	**18,323**	**6,620**	**–**	**181**	**–**	**25,124**
Reversal of allowance for obsolete inventories	**(948)**	**(2,462)**	**–**	**(189)**	**–**	**(3,599)**
Research and development expenses	**–**	**–**	**–**	**12,599**	**–**	**12,599**
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:						
Depreciation	**–**	**–**	**–**	**–**	**8,747**	**8,747**
Gain on disposal of plant and equipment	**–**	**–**	**–**	**–**	**(138)**	**(138)**
Bank interest income	**–**	**–**	**–**	**–**	**(7,996)**	**(7,996)**
Finance costs	**–**	**–**	**–**	**–**	**62,303**	**62,303**
Income tax expenses	**–**	**–**	**–**	**–**	**80,396**	**80,396**

Year ended 31 December 2013

	IT Consumer products *HK$'000*	IT Corporate products *HK$'000*	Consumer Electronic 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:						
Reversal for allowance for trade receivables	(3,837)	(2,559)	–	–	–	(6,396)
Reversal of write-down of inventories	(12)	–	–	–	–	(12)
Impairment losses recognised on trade receivables	15,661	7,831	–	–	–	23,492
Allowance for obsolete inventories	42	583	–	169	–	794
Research and development expenses	–	–	–	10,283	–	10,283
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:						
Additions to plant and equipment	–	–	–	–	11,457	11,457
Depreciation	–	–	–	–	8,615	8,615
Gain on disposal of plant and equipment	–	–	–	–	(109)	(109)
Bank interest income	–	–	–	–	(4,697)	(4,697)
Finance costs	–	–	–	–	108,314	108,314
Income tax expenses	–	–	–	–	58,673	58,673

Geographical information

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

	2014 ***HK$'000***	2013 *HK$'000*
PRC	**17,817,057**	17,028,726
Europe	**1,330**	303,223
South America	**8,973**	361,244
Hong Kong	**283,131**	259,630
Africa	**8,916**	78,221
Middle East	**19,030**	46,889
Australia	**1,810**	25,282
Other Asian District	**12,463**	240,326
	18,152,710	18,343,541

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	
	2014	2013
	HK$'000	*HK$'000*
Hong Kong	**24**	134
PRC	**25,130**	28,318
	25,154	28,452

Information about major customers

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

	2014	2013
	HK$'000	*HK$'000*
Customer A	**1,981,253**	N/A*

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

5. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Interest on:		
Borrowings repayable within 5 years	**27,380**	68,521
Discount of bills receivables	**26,271**	34,770
Guarantee fee	**8,652**	5,023
	62,303	108,314

6. INCOME TAX EXPENSES

	2014	2013
	HK$'000	*HK$'000*
The charge comprises:		
Current taxation:		
Hong Kong Profits Tax		
– Provision for the year	**40**	816
PRC Enterprise Income Tax		
– Provision for the year	**80,356**	62,070
– Over – provision in prior years	**–**	(4,213)
	80,356	57,857
	80,396	58,673

(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% for the years ended 31 December 2014 and 2013.

The tax charge for the years can be reconciled to the profit before tax per the consolidated statement of comprehensive profit or loss as follow:

	2014	2013
	HK$'000	*HK$'000*
Profit before tax	**273,692**	256,171
Tax at the domestic income tax rate of 25% (2013: 25%)	**68,423**	64,043
Tax effect of income not taxable for tax purpose	**(6,039)**	(18,351)
Tax effect of expenses not deductible for tax purpose	**18,000**	17,377
Tax effect of other deductible temporary differences not recognised	**12**	12
Tax effect of tax losses not recognised	**–**	(195)
Over provision in prior years	**–**	(4,213)
Income tax expenses	**80,396**	58,673

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$815,093,000 (2013: HK$629,948,000) 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):

	2014	2013
	HK$'000	*HK$'000*
Depreciation for plant and equipment	**8,747**	8,615
Auditor's remuneration	**1,680**	1,750
Directors' emoluments	**10,442**	15,205
Cost of inventories recognised as an expense	**17,388,303**	17,565,768
Staff costs, including directors' emoluments		
– Salaries and related staff costs	**176,711**	139,839
– Retirement benefits scheme contributions	**43,913**	39,946
	220,624	179,785
Exchange loss, net	**3,004**	–
Allowance for obsolete inventories (included in cost of sales)	**–**	794
Reversal of allowance for inventories (included in cost of sales)	**(3,599)**	(12)
Impairment losses recognised on trade receivables (included in administrative expenses)	**25,124**	23,492
Research and development expenses (included in selling expenses) *(note)*	**12,599**	10,283
Minimum lease payments in respect of rented premises	**15,447**	15,020

Note:

During the year ended 31 December 2014, research and development costs excluded staff costs of approximately HK$11,971,000 (2013: HK$8,226,000) for the Group's employees engaged in research and development activities which are included in staff costs.

8. EARNINGS PER SHARE

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

	2014	2013
	HK$'000	*HK$'000*
Earnings		
Profit attributable to owners of the Company for the purpose of basis and diluted earnings per share	**185,110**	178,090

	2014	2013
	'000	*'000*
Number of Share		
Weighted average number of ordinary shares and convertible preference shares for the purpose of basic earnings per share	**2,475,544**	2,231,059

As there were no dilutive potential shares during the two years ended 31 December 2014 and 2013, the diluted earnings per share is the same as basic earnings per share.

9. TRADE AND BILLS RECEIVABLES

	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**2,063,299**	1,411,281
Less: Provision of impairment loss	**(48,714)**	(23,921)
	2,014,585	1,387,360
Bills receivables	**56,358**	77,806
Trade and bills receivables	**2,070,943**	1,465,166

The amounts due from fellow subsidiaries of the Company of HK$82,018,000 in 2013 (2014: Nil) and amount due from the ultimate holding company of the Company of HK$9,967,000 in 2013 (2014: Nil).

The Company allows an average credit period of 30-180 days (2013: 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 quarterly or annually. 79% (2013: 75%) 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$426,513,000 (2013: HK$369,871,000) 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 following is an aged analysis of trade 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:

	2014	2013
	HK$'000	*HK$'000*
Within 30 days	**1,343,862**	637,175
31 – 60 days	**407,365**	308,210
61 – 90 days	**132,411**	156,357
91 – 180 days	**75,685**	199,472
181 – 365 days	**74,708**	125,368
Over 1 year	**36,912**	38,584
	2,070,943	1,465,166

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

	2014	2013
	HK$'000	*HK$'000*
Within 30 days	**197,744**	70,510
31 – 60 days	**99,776**	28,126
61 – 90 days	**65,708**	44,519
91 – 180 days	**35,181**	129,797
Over 180 days	**28,104**	96,919
	426,513	369,871

As 31 December 2014, the carrying amount of the trade receivables which have been pledged as security for the borrowing is HK$99,225,000 (2013: HK$44,874,000). The carrying amount of the associated liability is HK$79,380,000 (2013: HK$29,916,000).

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

	2014	2013
	HK$'000	*HK$'000*
EUR	**–**	29,560
AUD	**–**	210
USD	**18,754**	–

Movement in the allowance for trade receivables

	2014	2013
	HK$'000	*HK$'000*
Balance at beginning of the year, as restated	**23,921**	6,687
Impairment losses recognised on trade receivables	**25,124**	23,492
Exchange realignment	**(331)**	138
Reversal for allowance for trade receivables	**–**	(6,396)
Balance at the end of the year	**48,714**	23,921

Included in the allowance for trade receivables are individually impaired trade receivables with an aggregate balance of HK$48,714,000 (2013: HK$23,921,000) as at 31 December 2014, which have been in severe financial difficulties.

The following were the Group's financial assets as at 31 December 2014 and 2013 that were transferred to banks by discounting those receivables on a full recourse basis. At the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the 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.

Bills receivables discounted to banks with full recourse

	2014	2013
	HK$'000	*HK$'000*
Carrying amount of transferred assets	**99,225**	44,874
Carrying amount of associated liabilities	**(79,380)**	(29,916)
Net position	**19,845**	14,958

10. TRADE AND BILLS PAYABLES

Included in the balance are amount due to the ultimate holding company of the Company of HK$7,650 (2013: HK$116,578,000) and there is no balance due to the fellow subsidiaries of the Company (2013: HK$61,453,000). The ageing analysis of trade and bills payables, based on the date of receipt of goods, is as follows:

	2014	2013
	HK$'000	*HK$'000*
Within 30 days	**1,764,698**	1,205,204
31 – 60 days	**82,607**	321,152
61 – 90 days	**4,771**	154,235
91 – 180 days	**140,846**	190,207
181 – 365 days	**5,593**	63,427
Over 1 year	**10,909**	34,037
	2,009,424	1,968,262

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

	2014	2013
	HK$'000	*HK$'000*
AUD	**–**	210
EUR	**–**	53,016
USD	**188,496**	–

The average credit period on purchase of goods is 30 – 120 days (2013: 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")

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

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.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The Group has applied amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities for the first time in the current year. The amendments to HKFRS 10 define an investment entity and introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtains funds management services;
- commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measures and evaluates performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity, the directors of the Company consider that the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The Group has applied amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments have been applied retrospectively. The Group has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments has had no impact on the amounts recognised in the Group's consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[2]
Amendments to HKAS 1	Disclosure Initiative[2]
HKFRS 9 (2014)	Financial Instruments[4]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptance Methods of Depreciation and Amortisation[2]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[2]

[1] Effective for annual periods beginning on or after 1 July 2014. Early application is permitted.
[2] Effective for annual period beginning on or after 1 January 2016.
[3] Effective for annual periods beginning on or after 1 January 2017.
[4] Effective for annual periods beginning on or after 1 January 2018.

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 property, 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 do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2010-2012 Cycle will have a material effect on 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 directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2011-2013 Cycle will have a material effect on the Group's consolidated financial statements.

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.

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 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. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designed as at fair value through profit or loss, HKFRS 9 requires that amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Previous, under HKAS 39, the entire amount of the change in fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- 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 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 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.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 Investment Entities: Applying the Consolidation Exception

The amendments clarify the requirements when accounting for investment entities as well as provide relief in particular circumstances, which will reduce the costs of applying the Standards. Specifically, a parent entity that is a subsidiary of an investment entity is exempted from preparing consolidated financial statements. A parent entity which is also a subsidiary of an investment entity and hold interests in associates and joint ventures is exempted from applying equity method if it meets all the conditions stated in paragraph 4(a) of HKFRS 10.

Besides, the amendments clarify if an investment entity has a subsidiary that is not itself an investment entity and whose main purpose and activities are providing investment-related services that relate to the investment entity's investment activities to the entity or other parties, it should consolidate that subsidiary. If the subsidiary that provides the investment-related services or activities is itself an investment entity, the investment entity parent should measure that subsidiary at fair value through profit or loss. If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when apply the equity method, retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

Furthermore, if a parent that is an investment entity and has measured all of its subsidiaries at fair value through profit or loss, that investment entity should present the disclosures relating to investment entities required by HKFRS 12 in its financial statements. If an investment entity has consolidated its subsidiary in which the subsidiary itself is not an investment entity and whose main purpose and activities are providing services that relate to the investment activities of its investment entity parent, the disclosure requirements in HKFRS 12 apply to financial statements in which the investment entity consolidates that subsidiary.

The amendments to HKFRS 10, HKFRS 12 and HKAS 28 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 do not anticipate that the investment entities amendments will have any effect on the Group's consolidated financial statements as the Company is not an investment entity.

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 2017 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.

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions

The amendments to HKAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The directors of the Company do not anticipate that the application of these amendments to HKAS 19 will have a significant impact on the Group's consolidated financial statements as the Group does not have any defined benefit plans.

12. 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 2014, The Group has total accumulated unpaid amount of social insurance of approximately HK$29,796,000 (2013: HK$29,796,000) and unpaid amount of housing provident fund of approximately HK$10,394,000 (2013: HK$10,394,000). Provisions for the unpaid amounts had been recognised and included in other payables. As at 31 December 2014, 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 statements 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 2014 and 2013, no such request was received by the Group.

13. LITIGATION

On 29 July 2013, a complaint for wrongful death was filed against Apex Digital, LLC ("ADLLC"), a subsidiary of the Company, in the Los Angeles Superior Court (the "Court"). The lawsuit arose from a fire at an apartment building that caused death of the occupant in 2012. The complaint alleges that the fire was caused by a CRT television that is believed to have been manufactured by the ultimate holding company and sold by its subsidiary in 2003. On 20 February 2014, a response to the complaint was filed in the Court, ADLLC intends to vigorously defend against the allegations in the complaint.

As the legal process is still in the early stage as at 31 December 2013, the outcome of the judgement from the court with regard to the complaint is not able to be assessed reliably. Also, as of this time, the lawsuit has not had any financial impact on the Company according to the legal opinion from the Company's lawyer. The directors of the Company believe possibility of a legal and financial liability regard to the complaint is remote and no reliable estimate can be made of the amount of the obligation at that stage and no provision was recognised on the consolidated financial position or results of operations of the Group for the year ended 31 December 2013.

On 5 September 2014, the Group disposed of its subsidiary, ADLLC to an independent third party.

CORPORATE GOVERNANCE REPORT

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 2014, the Company has complied with all the Code Provisions as set out under the CG Code, save for the deviations of Code Provisions A.6.7 and E.1.2 as provided below:

Code provision A.6.7

Pursuant to A.6.7 of the CG Code, the independent non-executive directors and non-executive directors should attend the general meetings in order to balancing the views of shareholders. However, due to other business commitment, Mr. Ip Chun Chung, Robert was unable to attend the annual general meeting of the Company held on 16 May 2014, while Mr. Sun Dongfeng was unable to attend the annual general meeting of the Company held on 16 May 2014 and the special general meeting of the Company held on 15 June 2014.

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 16 May 2014 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. None of the independent non-executive Directors has served the Group for more than nine years.

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

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 four meetings. The annual results for the year ended 31 December 2014 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 2014, the global economy saw a slow recovery and the growth of the economy in the PRC slowed down amidst the complicated economic environment. The IT consumer market remained in doldrums marked by a sharp slowdown in the growth of the industry. Competition of the IT market was heating up against the backdrop of new technologies and new circumstances, leading to accelerated transformation of the industrial landscape. In light of the circumstances, the Group proactively responded to market challenges by enhancing the cooperation with core brands and devoting itself to exploring cooperation modes with new channels to ensure continuous and steady business growth, as well as actively expanding new businesses in big data and cloud computing and promoting its strategic transition into a company in the service industry with an objective to achieve business development and value enhancement.

In 2014, affected by the significant scale down of consumer electronic products, the Group recorded revenue of approximately HK$18,152.71 million, representing a decrease of 1.04% as compared with that in the same period of the last financial year. In 2014, the gross margin was 4.21%, representing a decrease of approximately 0.71% as compared with that in the same period of the last financial year, which was mainly due to intense market competition and the greater contribution from sale of product lines with low gross margin. In 2014, profit attributable to shareholders of approximately HK$185.11 million was recorded, representing an increase of approximately 3.94% as compared with that in the same period of the last financial year, and basic earnings per share amounted to HK$7.48 cents, representing a decrease of HK$0.50 cents as compared with HK$7.98 cents in the same period of the last financial year.

In 2014, the Group was dedicated to procedure and organisation optimisation, and made efforts to improve operational efficiency, as well as strictly controlled cash flows and the risk of collecting receivables, and cut down costs and expenses. In 2014, the Group strengthened management in terms of capital receipt and payment plan and trade receivables, thus accelerating capital turnover and having sufficient cash flows to develop business. In the meantime, the Group actively explored offshore and trade financing channels to reduce financing costs. Throughout the entire year of 2014, the Group strictly adhered to its budgetary control, and managed its expenditures closed to the level of the last financial year.

Changhong IT is the core business entity of the Group. In addition to IT consumer products and IT corporate products, Changhong IT is also engaged in the distribution of smart phones and self-developed products and the provision of IT technical support services.

On 5 June 2014, an acquisition of the entire issued share capital of Wide Miracle Limited, which held 10% of the equity interest of Changhong IT, was completed, details of which are set out in the circular and announcement of the Company dated 15 May 2014 and 22 April 2014, respectively. Since an acquisition of the remaining 90% equity interest of Changhong IT was completed on 8 January 2013, details of which are set out in the circular and announcement of the Company dated

12 December 2012 and 23 April 2012 respectively. Upon completion of such acquisition, the non-controlling interests in Changhong IT no longer exists and their interests are aligned with the shareholders of the Company. As such, all profit generated by all the subsidiaries of the Group belong to the owners of the Company thereafter.

The Company has four types of business after two times acquisition performed in year 2014 and 2013. Details of which are set out in note 4 to this announcement.

IT consumer products distribution business: the turnover of this business was increased by 8.69% to HK$12,138.90 million as compared with the same period of last year. Due to keen competition in the market, the profit of it was decreased by 5.33% to HK$151.13 million. Amid the continuously lacklustre IT consumer product market, the Group took the initiative to expand the scope of cooperation with core suppliers in order to maintain its market share. The margin of the segment was 1.24%.

IT corporate products distribution business: the turnover of this business was increased by 14.83% to HK$5,268.55 million as compared with the same period of last year. Due to keen competition in the market, the profit of it was decreased by 5.42% to HK$287.63 million. To secure the stable market standing of the product lines, the Group actively expanded new business in big data and cloud computing and established user-oriented core data assets solutions in the areas of big data storage industry solutions and technology solutions by way of combining Original Equipment Manufacturer ("OEM") brand cooperation with accumulative experience in independent research and development. The margin of the segment was 5.46%.

Consumer electronic product business: the turnover of this business was decreased by 74.33% to HK$593.92 million as compared with the same period of last year. Due to contraction of business by the Group, the profit of it was decreased by 89.80% to HK$2.36 million. The margin of the segment was 0.40%.

Other business: the turnover of this business was decreased by 44.55% to HK$151.34 million as compared with the same period of last year. Due to the channel policy of suppliers, the profit of it was increased by 40.46% to HK$1.03 million. The margin of the segment was 0.68%.

Since 2014, economic growth in the PRC has been experiencing a slowdown and the IT market in the PRC has remained continuously sluggish. Facing the challenge of an unfavourable business environment, Changhong IT proactively introduced new product lines and expanded new channels to seek comprehensive benefits from marketing of its product mix; on the other hand, Changhong IT seized opportunities in emerging sectors such as cloud computing, mobile internet and the Internet of Things, increased investments in technologies, improved its business mode, and adhered to the strategic transition into service business, thus realising business transition and appreciation through service improvement.

On 30 July 2013, Shirley Oliver (mother of decedent Lauren Humphrey) issued a writ of summons ("Summons") to the Superior Court of California, County of Los Angeles, against eleven parties including Apex Digital, Inc. ("Apex Digital", which is wholly owned by Mr. David Ji Long Fen ("Mr. Ji"), a former executive director and an existing shareholder of the Company), Apex Digital, LLC (subsidiaries of the Company), (collectively known as the "Defendants"). The Defendants were claimed damages against Apex Digital, LLC for wrongful death based on strict product liabilities within the USA. The amount of damages was not determined. The Company has engaged a USA law firm to handle this matter. On 5 September 2014, a sale and purchase agreement was signed by the Company pursuant to which the Company agree to dispose the entire issued share capital of Apex Honor Resources Limited and Apex Digital, LLC ("Apex Group") to a third party amounted to HK$1. Since the Apex Group was inactive for a long period of time, the impact to the Company is insignificant. For further details, please refer to the announcement of the Company dated 5 September 2014.

To enhance the trading liquidity of 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 May 2014 for the Transfer of Listing in respect of the Company from the GEM Board to the Main Board. On 12 June 2014, the Company received a letter from the Stock Exchange which stated that the Listing Committee of the Stock Exchange decided to reject the application. Thereafter, a Review Hearing of Transfer of Listing to Main Board has been scheduled and been attended, the Listing Committee decided to uphold the decision after careful consideration. For further details, please refer to the announcements of the Company dated 28 May 2014 and 13 June 2014. Further updates will be provided by the Company from time to time as and when appropriate.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial and liquidity positions are healthy and stable. As at 31 December 2014, the aggregate outstanding borrowings of the Group were approximately HK$868.50 million (2013: HK$1,034.79 million) which were partially unsecured and interested bearing. Such fluctuation was due to the repayment of loan in the year ended 31 December 2014 as the Group's financial positions are continuously improving. The Group's cash and bank balances amounted to approximately HK$453.34 million, together with trade and bills receivables amounted to approximately HK$2,070.94 million. For the year under review, the Group's net current assets approximate to HK$1,252.99 million and the Group does not have any charges on its fixed assets (2013: Nil). The net gearing ratio (total net debt/total shareholders' equity) of our Group as at 31 December 2014 was 2.55 times. The management is confident that with proper funding arrangements, the Group's financial resources are sufficient to finance the daily operation.

The Group's monetary assets and liabilities and transactions are principally denominated in 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.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2014, the total number of the Group's staff was 1,223. The total staff costs (including directors) amounted to approximately HK$220.62 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 was 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 relationship with its employees.

OUTLOOK

In the next few years, the macro economy of the PRC is expected to maintain weak in momentum and downturn pressure is to mount. While the overall growth of the IT industry will slow down, great business potentials exist in niche fields of the IT market. With the significant changes in the existing industry landscape and business mode driven by new technologies of cloud computing, big data and mobile internet, corporate strategic transition is inevitable. In 2015, adhering to the principle of "exploring new ways, expanding the market territory through the internet platform, and offering a quality service to good partners", the Group will proactively explore new domains for added value to expand its development as it follows economic and industry trends and enhances its existing distribution business; and expand its business scope to cover various markets by establishing extensive and quality partnership networks and leveraging on the mode of online marketing. Supported by the transition mode of "platform based added value", the Group will realise business upgrade and value enhancement and become a professional provider in IT corporate products distribution and a comprehensive service provider in professional fields of big data and cloud computing; and forge its core competitiveness and accelerate the promotion of business strategic transition.

DIVIDEND

The Board does not recommend the payment of any dividend in respect of the year (2013: Nil).

INTERESTS OF THE DIRECTORS IN THE COMPANY

As at 31 December 2014, 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 2014, 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 2014 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 2014, 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 *(Notes 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 2014, 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 2014, 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.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS

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, 25 March 2015

As at the date of this announcement, the Company's executive directors 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 will remain on the "Latest Company Announcements" 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.