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 2013

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 financial results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2013.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2013

	Notes	**2013** ***HK$'000***	2012 *HK$'000* *(Note 1)* (Restated)
TURNOVER	*2*	**18,343,541**	14,928,822
Cost of sales		**(17,566,550)**	(14,322,736)
GROSS PROFIT		**776,991**	606,086
Other income	*3*	**35,634**	18,612
Distribution and selling expenses		**(306,246)**	(231,991)
Administrative expenses		**(141,894)**	(91,548)
Finance costs	*5*	**(108,314)**	(60,855)
PROFIT BEFORE TAX		**256,171**	240,304
Income tax expenses	*6*	**(58,673)**	(67,264)
Profit for the year	*7*	**197,498**	173,040
Profit for the year attributable to:			
Owners of the Company		**178,090**	154,728
Non-controlling interests		**19,408**	18,312
		197,498	173,040
Earnings per share	*8*		
Basic		**7.98 cents**	6.93 cents
Diluted		**7.98 cents**	6.93 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	2013	2012
	HK$'000	*HK$'000*
		(Note 1)
		(Restated)
Profit for the year	**197,498**	173,040
Other comprehensive income		
Items that may be reclassified subsequently to profit		
Exchange difference arising from translation of foreign operations	**19,901**	29,960
Other comprehensive income for the year, net of income tax	**19,901**	29,960
Total comprehensive income for the year	**217,399**	203,000
Total comprehensive income attributable to:		
Owners of the Company	**196,001**	181,692
Non-controlling interests	**21,398**	21,308
	217,399	203,000

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	**2013**	2012
		HK$'000	*HK$'000*
			(Note 1)
			(Restated)
Non-current asset			
Plant and equipment		**28,452**	30,285
Current assets			
Inventories		**1,831,192**	1,544,734
Trade and bills receivables	*9*	**1,465,166**	1,872,752
Trade deposits paid		**299,246**	450,618
Prepayments, deposits and other receivables		**135,404**	159,639
Amounts due from related companies		**–**	69
Tax recoverable		**1,962**	152
Pledged bank deposits		**191,951**	114,252
Bank balances and cash		**499,936**	349,462
		4,424,857	4,491,678
Current liabilities			
Trade and bills payables	*10*	**1,968,262**	2,027,766
Other payables		**190,400**	160,935
Customer deposits		**154,707**	331,718
Amount due to ultimate holding company		**3,219**	101,810
Tax payable		**4,961**	24,455
Bank overdraft		**–**	87,439
Borrowings		**530,740**	899,907
		2,852,289	3,634,030
Net current assets		**1,572,568**	857,648
Total assets less current liabilities		**1,601,020**	887,933
Non-current liability			
Borrowings		**504,051**	–
Deferred income		**14,072**	22,435
		518,123	22,435
Net Assets		**1,082,897**	865,498
Capital and Reserves			
Share capital		**11,725**	8,350
Convertible preference share		**46,947**	–
Reserves		**924,602**	778,923
Equity attributable to owners of the Company		**983,274**	787,273
Non-controlling interests		**99,623**	78,225
Total equity		**1,082,897**	865,498

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	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	Retained earnings/ (accumulated losses) HK$'000	Total HK$'000	Non-controlling interest HK$'000	Total HK$'000
At 1 January 2012	8,350	–	34,492	–	–	–	5,249	48,091	–	48,091
Profit for the year	–	–	–	–	–	–	154,728	154,728	18,312	173,040
Exchange difference arising on translation	–	–	–	–	–	26,964	–	26,964	2,996	29,960
Total comprehensive income for the year	–	–	–	–	–	26,964	154,728	181,692	21,308	203,000
Business combination under common control	–	–	–	–	557,490	–	–	557,490	56,917	614,407
Appropriation to statutory reserve	–	–	–	25,940	–	–	(25,940)	–	–	–
At 31 December 2012, as restated *(Note 1)*	8,350	–	34,492	25,940	557,490	26,964	134,037	787,273	78,225	865,498
At 1 January 2013, as originally reported	8,350	–	34,492	–	–	–	(4,831)	38,011	–	38,011
Effect of business combination under common control	–	–	–	25,940	557,490	26,964	138,868	749,262	78,225	827,487
At 1 January 2013, as restated	8,350	–	34,492	25,940	557,490	26,964	134,037	787,273	78,225	865,498
At 1 January 2013, as restated	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 reserves arising from common control combination	–	–	–	–	(1,805,596)	–	–	(1,805,596)	–	(1,805,596)
At 31 December 2013	11,725	46,947	1,789,766	42,175	(1,248,106)	44,875	295,892	983,274	99,623	1,082,897

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 under common control.

Notes:

1. GENERAL INFORMATION AND BUSINESS COMBINATION UNDER COMMON CONTROL

The consolidated financial statements of the Group have been prepared using the principles of merger accounting as if the group structure under the group reorganisation had been in existence since 20 March 2012, the date when they first came under common control of Sichuan Chonghong Electronic Co. Limited.

The Group adopts merger accounting for common control combinations in respect of the following transactions occurred during the year ended 31 December 2013.

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

The immediate holding company of Sufficient Value Group prior to the acquisition by the Group is Fit Generation while the ultimate holding company is Sichuan Changhong Electronics Co. Limited. The aforesaid transactions are regarded as business combinations under common control on 20 March 2012.

No significant adjustments were made to the net assets and net results of Sufficient Value Group and its subsidiaries (the "Acquired Subsidiaries") as a result of the common control combination to achieve consistency of accounting policies.

	The Group (excluding the Acquired Subsidiaries)	Acquired Subsidiaries	The Group (including the Acquired Subsidiaries)
	HK$'000	*HK$'000*	*HK$'000*
	(as originally reported)	*(Note)*	(Restated)
Results for the year ended 31 December 2012			
Turnover	3,462,290	11,466,532	14,928,822
Cost of sales	(3,417,379)	(10,905,357)	(14,322,736)
Gross profit	44,911	561,175	606,086
Other income	577	18,035	18,612
Distribution and selling expenses	(9,956)	(222,035)	(231,991)
Administrative expenses	(34,798)	(56,750)	(91,548)
Finance costs	(8,014)	(52,841)	(60,855)
Profit before tax	(7,280)	247,584	240,304
Income tax expenses	(2,800)	(64,464)	(67,264)
Profit for the year	(10,080)	183,120	173,040
Profit for the year attributable to:			
Owners of the Company	(10,080)	164,808	154,728
Non-controlling interests	–	18,312	18,312
	(10,080)	183,120	173,040

	The Group (excluding the Acquired Subsidiaries) *HK$'000* (as originally reported)	Acquired Subsidiaries *HK$'000* *(Note)*	The Group (including the Acquired Subsidiaries) *HK$'000* (Restated)
Other comprehensive income			
Items that may be reclassified subsequently to profit			
Exchange difference arising from translation of overseas operations	–	29,960	29,960
Other comprehensive income for the year, net of income tax	–	29,960	29,960
Total comprehensive income for the year	(10,080)	213,080	203,000
Total comprehensive income attributable to:			
Owners of the company	(10,080)	191,772	181,692
Non-controlling interests	–	21,308	21,308
	(10,080)	213,080	203,000
Cash flows for the year ended 31 December 2012			
Net cash generated from (used in) operating activities	21,530	(152,167)	(130,637)
Net cash generated from (used in) investing activities	3,455	(96,029)	(92,574)
Net cash generated from financing activities	126,140	283,615	409,755
Net increase in cash and cash equivalents	151,125	35,419	186,544

Note: Amounts represented results and cash flows of Acquired Subsidiaries since the date when they are first under common control.

	The Group (excluding the Acquired Subsidiaries) *HK$'000* (as originally reported)	Acquired Subsidiaries *HK$'000*	The Group (including the Acquired Subsidiaries) *HK$'000* (Restated)
As at 31 December 2012			
Non-current assets			
Plant and equipment	227	30,058	30,285
Current assets			
Inventories	–	1,544,734	1,544,734
Trade and bills receivables	690,117	1,182,635	1,872,752
Trade deposits paid	4,416	446,202	450,618
Prepayments, deposits and other receivables	577	159,062	159,639
Amount due from related companies	69	–	69
Tax recoverable	152	–	152
Pledged bank deposits	–	114,252	114,252
Bank balances and cash	223,013	126,449	349,462
	918,344	3,573,334	4,491,678
Current liabilities			
Trade and bills payables	463,824	1,563,942	2,027,766
Other payables	13,339	147,596	160,935
Customer deposits	169,800	161,918	331,718
Amount due to ultimate holding company	–	101,810	101,810
Tax payables	4,928	19,527	24,455
Bank overdraft	–	87,439	87,439
Bank and other borrowings	228,669	671,238	899,907
	880,560	2,753,470	3,634,030
Net current assets	37,784	819,864	857,648
	38,011	849,922	887,933
Non-current liability			
Deferred income	–	22,435	22,435
Net Assets	38,011	827,487	865,498
Capital and reserves			
Share capital	8,350	–	8,350
Share premium and reserves	29,661	749,262	778,923
	38,011	749,262	787,273
Non-controlling interests	–	78,225	78,225
Total equity	38,011	827,487	865,498

The fair value of consideration for the acquisition of the Acquired Subsidiaries amounted to approximately HK$1,805,596,000 in aggregate and the aggregate paid-in capital of the Acquired Subsidiaries at the date of combination were US$2 approximately HK$16.

Net cash inflow from business combinations	*HK$'000*
Cash consideration paid	–
Cash and cash equivalents acquired	30,042
	30,042

The effects of adoption merger accounting for common control combination on the Group's basic and diluted earnings per share for the year ended 31 December 2013 and 2012:

	2012 *HK cents* (Restated)
Reported figures before adjustments	(3.02)
Adjustments arising on common control combination	9.95
Restated figures after adjustments	6.93

2. TURNOVER

The principal activities of the Group are the provision of professional integrated Information Technology ("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 2013 and 2012 are as follows:

	2013 ***HK$'000***	2012 *HK$'000* (Restated)
IT Consumer Products	**11,168,587**	7,452,974
IT Corporate Products	**4,588,062**	3,596,521
Consumer Electronic Products	**2,313,947**	3,462,290
Others	**272,945**	417,037
	18,343,541	14,928,822

3. OTHER INCOME

	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Bank interest income	**4,697**	1,273
Reversal of allowance to trade receivables	**6,396**	151
Gain on disposal of plant and equipment	**109**	3
Government subsidy	**16,526**	15,276
Exchange gain, net	**5,605**	698
Others	**2,301**	1,211
	35,634	18,612

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:

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 ("PC") servers, Intelligent Building Management System ("IBMS") products, Unified Communication and Contact Centre ("UC & CC") products

3) Consumer Electronic Products – trading of consumer electronic products which include mainly Liquid Crystal Display ("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 IT technical support services

The accounting policies of the operating segments are the same as the Company's accounting policies described in note to consolidated financial statement. 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 overdraft, 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 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**
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**
Combined 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**
Combined total liabilities					**3,370,412**

Year ended 31 December 2012 (restated)

	IT Consumer products *HK$'000*	IT Corporate products *HK$'000*	Consumer Electronic products *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue					
External sales	7,452,974	3,596,521	3,462,290	417,037	14,928,822
Segment profit	108,856	174,916	67,115	48,727	399,614
Other income					18,612
Finance costs					(60,855)
Unallocated head office and corporate expenses					(117,067)
Profit before tax					240,304
Segment assets	1,927,848	1,765,856	317,191	2,606	4,013,501
Unallocated assets:					
Pledged bank deposits					114,252
Bank balances and cash					349,462
Amounts due from related companies					69
Tax recoverable					152
Prepayments, deposits and other receivables					14,242
Property, plant and equipment					30,285
Combined total assets					4,521,963
Segment liabilities	1,249,807	467,218	646,958	8,834	2,372,817
Unallocated liabilities:					
Other payables					156,602
Bank overdraft					87,439
Borrowings					899,907
Tax payable					24,455
Amount due to ultimate holding company					101,810
Deferred income					22,435
Combined total liabilities					3,665,465

Other segment information:

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

Year ended 31 December 2012 (restated)

	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	(151)	–	–	–	–	(151)
Reversal of write-down of inventories	(2,780)	(2,270)	–	–	–	(5,050)
Impairment losses recognised on trade receivables	3,230	1,229	–	–	–	4,459
Allowance for obsolete inventories	489	6,902	–	4,560	–	11,951
Research and development expenses	–	–	–	7,400	–	7,400
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	–	–	–	–	21,980	21,980
Depreciation	–	–	–	–	7,606	7,606
Gain on disposal of plant and equipment	–	–	–	–	(3)	(3)
Bank interest income	–	–	–	–	(1,273)	(1,273)
Finance costs	–	–	–	–	60,855	60,855
Income tax expenses	–	–	–	–	67,264	67,264

Geographical information

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

	2013	2012
	HK$'000	*HK$'000*
		(Restated)
PRC	**17,028,726**	13,381,700
Europe	**303,223**	468,909
South America	**361,244**	329,176
Hong Kong	**259,630**	258,288
Africa	**78,221**	89,020
Middle East	**46,889**	78,835
Australia	**25,282**	48,955
Other Asian District	**240,326**	273,939
	18,343,541	14,928,822

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	
	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Hong Kong	**134**	200
PRC	**28,318**	30,085
	28,452	30,285

Information about major customers

During the two years ended 31 December 2013 and 2012, no revenue from transactions with any single external customer amounted to 10% or more of the Group's revenues.

5. FINANCE COSTS

	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Interest on:		
Bank borrowings wholly repayable within 5 years	**67,647**	32,217
Loan from a fellow subsidiary wholly repayable within 5 years	**874**	20,814
Discount of bills receivables	**34,770**	1,818
Guarantee fee	**5,023**	6,006
	108,314	60,855

6. INCOME TAX EXPENSES

	2013	2012
	HK$'000	*HK$'000*
		(Restated)
The charge comprises:		
Current taxation:		
Hong Kong Profits Tax		
– Provision for the year	**816**	2,800
PRC Enterprise Income Tax		
– Provision for the year	**62,070**	64,464
– Over provision in prior years	**(4,213)**	–
	57,857	64,464
	58,673	67,264

(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 2013 and 2012.

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

	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Profit before tax	**256,171**	240,304
Tax at the domestic income tax rate of 25% (2012: 25%)	**64,043**	60,076
Tax effect of income not taxable for tax purpose	**(18,351)**	(17)
Tax effect of expenses not deductible for tax purpose	**17,377**	6,899
Tax effect of other deductible temporary differences not recognized	**12**	24
Tax effect of tax losses not recognised	**(195)**	282
Over provision in prior years	**(4,213)**	–
Income tax expenses	**58,673**	67,264

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$629,948,000 (31 December 2012: HK$442,334,000) 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):

	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Depreciation for plant and equipment	**8,615**	7,606
Auditor's remuneration	**1,750**	1,588
Directors' emoluments	**15,205**	4,002
Cost of inventories recognised as an expense	**17,565,768**	14,315,835
Staff costs, including directors' emoluments		
– Salaries and related staff costs	**139,839**	106,409
– Retirement benefits scheme contributions	**39,946**	25,650
	179,785	132,059
Allowance for obsolete inventories (included in cost of sales)	**794**	11,951
Reversal of allowance for inventories (included in cost of sales)	**(12)**	(5,050)
Impairment losses recognised on trade receivables (included in administrative expenses)	**23,492**	4,459
Research and development expenses (included in selling expenses) *(note)*	**10,283**	7,400
Minimum lease payments in respect of rented premises	**15,020**	6,314

Note:

During the year ended 31 December 2013, research and development costs excluded staff costs of approximately HK$8,226,000 (2012: HK$5,923,000) 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:

	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Earnings		
Profit attributable to owners of the Company for the purpose of basis and diluted earnings per share	**178,090**	154,728

	2013	2012
Number of Share	***'000***	*'000*
		(Restated)
Weighted average number of ordinary shares and convertible preference shares for the purpose of basic earnings per share	**2,231,059**	2,231,059

As there were no dilutive potential shares during the two years ended 31 December 2013 and 2012, the diluted earnings per share is the same as basic earnings per share.

9. TRADE AND BILLS RECEIVABLES

Included in the balance are amounts due from fellow subsidiaries of the Company of approximately HK$82,018,000 (2012: HK$389,109,000) and amount due from the ultimate holding company of the Company of approximately HK$9,967,000 (2012: HK$234,747,000).

The Company allows an average credit period of 30-180 days (2012: 30-180 days) to its third party and related party trade customers respectively. Before accepting any new customer, the Company assesses the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. 25% (2012: 17%) of the trade and bills receivables that are neither past due nor impaired have the best credit scoring attributable under the external credit scoring system used by the Company. The Company does not hold any collateral over these balances.

Included in the Company's trade and bills receivable balance are debtors with aggregate carrying amount of approximately HK$369,871,000 (2012: HK$314,610,000) 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 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:

	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Within 30 days	**637,175**	822,244
31 – 60 days	**308,210**	599,166
61 – 90 days	**156,357**	120,867
91 – 180 days	**199,472**	256,999
181- 365 days	**125,368**	46,249
Over 1 year	**38,584**	27,227
	1,465,166	1,872,752

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

	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Within 30 days	**70,510**	103,833
31 – 60 days	**28,126**	65,180
61 – 90 days	**44,519**	35,466
91 – 180 days	**129,797**	71,998
Over 180 days	**96,919**	38,133
	369,871	314,610

As 31 December 2013, the carrying amount of the trade receivables which have been pledged as security for the borrowing is HK$44,874,000 (2012: HK$336,325,000). The carrying amount of the associated liability is HK$29,916,000 (2012: HK$189,919,000).

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

	2013	2012
	HK$'000	*HK$'000*
		(Restated)
EUR	**29,560**	128,140
AUD	**210**	25,174

Movement in the allowance for trade receivables

	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Balance at beginning of the year, as originally reported	**–**	–
Effect of business combination under common control	**6,687**	6,687
Balance at beginning of the year, as restated	**6,687**	6,687
Impairment losses recognised on trade receivables	**23,492**	–
Exchange realignment	**138**	–
Reversal for allowance for trade receivables	**(6,396)**	–
Balance at the end of the year	**23,921**	6,687

Included in the allowance for trade receivables are individually impaired trade receivables with an aggregate balance of HK$23,921,000 (2012: HK$6,687,000) as at 31 December 2013, which have been in severe financial difficulties.

The following were the Group's financial assets as at 31 December 2013 and 2012 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.

	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Bills receivables discounted to banks with full recourse		
Carrying amount of transferred assets	**44,874**	336,325
Carrying amount of associated liabilities	**(29,916)**	(189,919)
Net position	**14,958**	146,406

10. TRADE AND BILLS PAYABLES

Included in the balance are amount due to the ultimate holding company of the Company of approximately HK$116,578,000 (2012: HK$198,113,000) and amount due to the fellow subsidiaries of the Company of approximately HK$61,453,000 (2012: HK$110,327,000). The ageing analysis of trade and bills payables, based on the date of receipt of goods, is as follows:

	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Within 30 days	**1,205,204**	1,147,851
31 – 60 days	**321,152**	497,252
61 – 90 days	**154,235**	279,927
91 – 180 days	**190,207**	44,379
181 – 365 days	**63,427**	39,445
Over 1 year	**34,037**	18,912
	1,968,262	2,027,766

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

	2013	2012
	HK$'000	*HK$'000*
		(Restated)
AUD	**210**	32,044
EUR	**53,016**	150,137

The average credit period on purchase of goods is 30-120 days (2012: 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 HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC*)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

* IFRIC represents International Financial Reporting Interpretations Committee

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.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2013 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferred Accounts[4]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK (IFRIC) – Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014.
2 Effective for annual periods beginning on or after 1 July 2014. Early application is permitted.
3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
4 Effective for annual periods beginning on or after 1 January 2016.

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 HAKS 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.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

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.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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

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

The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its financial statements.

To qualify as an investment entity, a reporting entity is required to:

– obtain funds from one or more investors for the purpose of providing them with professional investment management services;

– commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

– measure and evaluate performance of substantially all of its investments on a fair value basis.

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

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.

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.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

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 directors of the Company do not anticipate that the application of these amendments to HKAS 32 will have a significant impact on the Group's consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

The directors of the Company anticipate that the application of the other new and revised standard, amendments or interpretation will have no material impact on the consolidated financial statements.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The directors of the Company do not anticipate that the application of these amendments to HKAS 36 will have a significant impact on the Group's consolidated financial statements.

Except for disclosed above, the directors of the Company anticipate that the application of other new HKFRSs will have no material impact on the results and the financial position of the Group.

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 2013, The Group has total accumulated unpaid amount of social insurance of approximately HK$29,796,000 (2012: HK$29,796,000) and unpaid amount of housing provident fund of approximately HK$10,394,000 (2012: HK$10,394,000). Provisions for the unpaid amounts had been recognised and included in other payables. As at 31 December 2013, 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 2013 and 2012, 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, 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, Apex Digital, LLC intends to vigorously defend against the allegations in the complaint.

As the legal process is still in the early stage, 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 this stage. No provision was recognised on the consolidated financial position or results of operations of the Group at the end of reporting period.

CORPORATE GOVERNANCE REPORT

The Company has applied the Corporate Governance Code (the "CG Code") contained in Appendix 15 to the GEM Listing Rules which sets out corporate governance principles (the "Principles") and code provisions (the "Code Provisions"), the Company has complied with most of the Code Provisions as far as possible and practicable throughout the year ended 31 December 2013. An explanation for any deviations is provided below.

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 9 May 2013 due to other prior engagements.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

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 held one 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, the audit committee held four meetings. The annual results for the year ended 31 December 2013 was 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 held one meeting.

AUDITOR'S REMUNERATION

The remuneration of the audit service rendered by the auditor of the Group was mutually agreed in view of the scope of services in the total amount of HK$1,750,000. The auditor and its affiliates also provided non-audit service of issuing of confirmation letter on continuing connected transaction to the Company which amounted to HK$40,000.

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 2013, the global economic downturn and slowdown in economic growth in China led to a persisting downturn in China's IT market; the emergence of tablets and smartphones had a negative impact to the PC sector; and the transformation across the IT industry was severely challenged by the emergence of cloud computing. In 2013, under the guidance of operating principles of "enhancing internal strength, growing with flexibility and boosting effectiveness", the Group strive to identify market opportunities in the existing industrial chains, pursued the overall benefits in product portfolios, increased in technology investment, improved business models and refined the internal operation and management. As a result, the Company maintained its growth in operating income and achieved relatively high net asset yields. The Group recorded well-performed operating results throughout the year with revenue of approximately HK$18,343.54 million, profit for the year of HK$197.50 million and total comprehensive income for the year of 217.40 million.

As at 31 December 2013, the Group's gross margin was approximately 4.24%, the increase was due to the acquired IT products distribution business in 2013.

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 United States of America ("USA"). The amount of damages was not determined. The Company has engaged a USA law firm to handle this matter.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial and liquidity positions are healthy and stable. As at 31 December 2013, the aggregate outstanding borrowings of the Group were approximately HK$1,034.79 million (2012: HK$899.91 million) which were partially unsecured and interested bearing. Such fluctuation was due to the repayment of loan in the year ended 31 December 2013 as the Group's financial positions are continuously improving. The Group's cash and bank balances amounted to approximately HK$691.89 million, together with trade and bills receivables amounted to approximately HK$1,465.17 million. The Group's net current assets approximate to HK$1,572.57 million and the Group does not have any charges on its assets. The net gearing ratio (total net debt/total shareholders' equity) of our Group as at 31 December 2013 was 3.11 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 2013, the total number of the Group's staff was 1,212. The total staff costs (including directors) amounted to approximately HK$179.79 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 scheme expired.

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

OUTLOOK

It is expected that China's economy in 2014 will grow in a steady manner with constant evolution in the IT industry and competition in the IT market will be increasingly severe. In 2014, under such operating environment, the Group will proactively grasp the opportunities arising from emerging sectors, such as cloud computing and mobile internet, increase its effort to push forward the strategic transition into the service business, further increase the investment in technologies and create an innovative the business model, discover its new value in the vertical market through business upgrades and achieve growing profits through value enhancement. The Group will also increase its efficiency through adopting appropriate process, thus, bolstering the overall operating capability. Although confronting the complex macro economy and market environment, the Board and the management will be ready to adapt to changes and make utmost effort to innovate, so as to create higher value for shareholders.

DIVIDEND

The Board do not recommend the payment of any dividend in respect of the year (2012: Nil).

INTERESTS OF THE DIRECTORS IN THE COMPANY

As at 31 December 2013, none of the Directors had any interest in the ordinary shares of the Company (the "Shares"), underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required (a) to be notified to the Company and the Stock Exchange pursuant to 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); (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.

During the year ended 31 December 2013, Mr. Ji (former Director) was interested in the Shares as follows:

Name of Director	Capacity	Number of Ordinary shares held	Approximate percentage of interest %
Mr. Ji *(Note (a) and (b))*	Beneficial owner	22,260,000	4.75

Notes:

(a) Ms. Liu Ru Ying is the spouse of Mr. Ji and, under Section 316 of the SFO, is therefore deemed to be interested in all 22,260,000 shares in which Mr. Ji was interested.

(b) Mr. Ji resigned his directorship of the Company on 21 May 2013.

Long positions in shares of associated company

Mr. Zhu Jianqiu ("Mr. Zhu"), an executive director of the Company, held 10% interests in Changhong IT Information Products Co., Ltd ("Changhong IT"), a subsidiary of the Company on behalf of Changhong IT's management team (out of which, Mr. Zhu had personal interests in 3.685% in Changhong IT). After the approval of a connected transaction involving a waiver of right of first refusal, the 10% interest were transferred to senior management Ms. Su Huiqing ("Ms. Su") and Mr. Dong Qiang ("Mr. Dong"), without prejudice any interest of members (out of which, Ms. Su and Mr. Dong had personnel interests in 0.93% and 0.93% in Changhong IT, respectively) on 22 November 2013, details of which are set out in the announcement of the Company dated on 21 October 2013 and the circular of the Company dated on 19 November 2013. (Note)

Note: The registered capital of Changhong IT was RMB200,000,000.

Save as disclosed in this paragraph, as at 31 December 2013, none of the Directors had interests in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) 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 2013 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

As at 31 December 2013, the persons or companies (not being a Director or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

Long positions in Shares

Name of substantial shareholder	Capacity	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 Company and beneficial owner	Ordinary Preference	246,368,000 *(Note b)* 1,877,868,000 *(Note c)*	52.53 100.00
Changhong (Hong Kong) Trading Limited	Interest of controlled Company and beneficial owner	Ordinary Preference	151,000,000 *(Note d)* 1,877,868,000 *(Note c)*	32.20 100.00
Fit Generation Holding Limited	Beneficial owner	Ordinary Preference	135,000,000 1,877,868,000	28.79 100.00
Sichuan Investment Management Company Limited	Beneficial owner	Ordinary	83,009,340	17.70

Notes:

(a) The percentages are calculated based on the total number of ordinary shares and preference shares of the Company in issue as at 31 December 2013, which were 469,000,000 and 1,877,868,000, respectively.

(b) Of the 246,368,000 ordinary shares held by Sichuan Changhong, 95,368,000 ordinary shares were held directly, 16,000,000 ordinary shares were held through its wholly-owned subsidiary, Changhong (Hong Kong) Trading Limited and 135,000,000 ordinary shares were held through Fit Generation Holding Limited, which is wholly owned by Changhong (Hong Kong) Trading Limited.

(c) 1,877,868,000 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 151,000,000 ordinary shares, 16,000,000 ordinary shares were held directly and 135,000,000 ordinary shares were held through Fit Generation Holding Limited.

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

DIRECTORS' INTEREST IN A COMPETING BUSINESS

Mr. Ji is a shareholder of Apex Digital, a Company incorporated in the USA which is principally engaged in the wholesaling business of consumer home electronics items under the name of "APEX Digital". Mr. Ji resigned his directorship of the Company on 21 May 2013.

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

Save as disclosed 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.

CORPORATE GOVERNANCE RELATING TO THE DEED OF NON-COMPETITION

Pursuant to the acquisition from Sichuan Changhong which was completed on 22 January 2013 (details of which are set out in the announcement of the Company dated 23 April 2012 and the circular of the Company dated 12 December 2012) (the "Changhong Jiahua Acquisition"), a deed of non-competition was entered into between Sichuan Changhong, Sichuan Changhong Electronics Group Co., Ltd. and Fit Generation Holdings Limited, the controlling shareholders of the Company and the Company on 7 December 2012 to eliminate the competition between the Group and Sichuan

Changhong and its shareholder, Sichuan Changhong Electronics Group Co., Ltd, with effect from completion of the Changhong Jiahua Acquisition. (Please refer to the section headed “Relationship with the Controlling Shareholders – Non-compete Undertakings” of the Circular for further details about the deed of non-competition). The Company gradually reduced the trading business of consumer electronic products with effect from 30 June 2013, the details of which are set out in the announcement of the Company dated 11 June 2013.

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.

By Order of the Board
Zhao Yong
Chairman

Hong Kong, 27 March 2014

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, Ms. Shi Ping and Mr. Xiang Chao Yang 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.