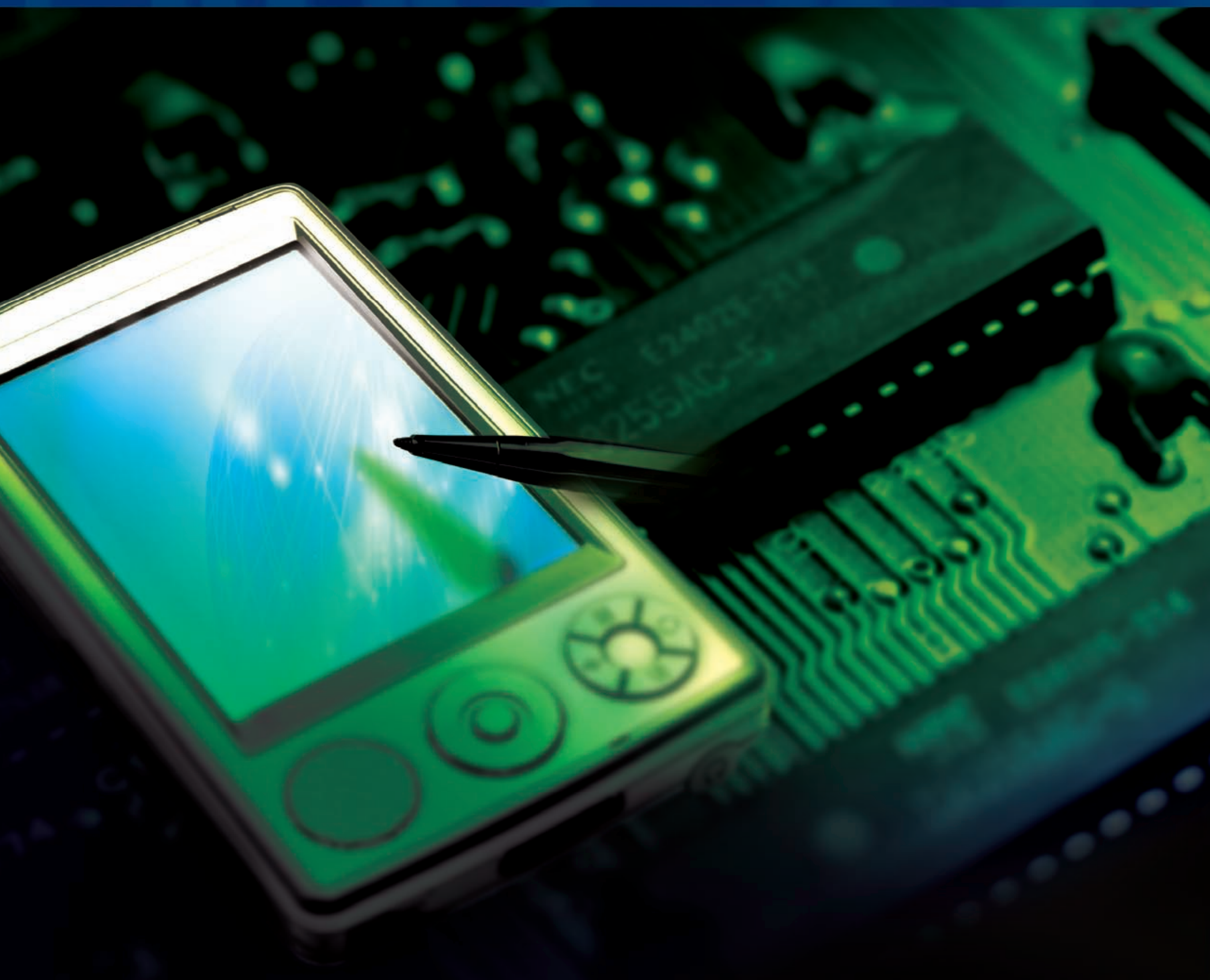
Annual Report 2007

CHINA DATA BROADCASTING HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 8016



CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED

The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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

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Corporate Information

Registered office	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Head office and principal place of business	Unit 3701, 37/F, West Tower, Shun Tak Centre 168-200 Connaught Road Central Hong Kong
Bermuda principal share registrar and transfer office	The Bank of Bermuda Limited Bank of Bermuda Building 6 Front Street Hamilton HM 11 Bermuda
Hong Kong branch share registrar and transfer office	Hong Kong Registrars Limited 46/F, Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited China Insurance Group Building 141 Des Voeux Road Central, Sheung Wan Hong Kong Fubon Bank (Hong Kong) Limited Fubon Bank Building 38 Des Voeux Road Central Hong Kong
Stock exchange	Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
Stock code	8016
Website	www.cdb-holdings.com.hk
E-mail address	LEE@cdb-holdings.com.hk

Corporate Information

Board of Directors	
Executive Directors	Mr. YU Xiao Mr. TANG Yun Mr. David JI Long Fen Mr. DU Jun Mr. XIANG Chao Yang Mr. WANG Zhen Hua Ms. SHI Ping
Independent Non-executive Directors	Mr. Jonathan CHAN Ming Sun Mr. Robert IP Chun Chung Mr. SUN Dong Feng
Authorised representatives	Mr. TANG Yun Mr. LEE Wing Lun CPA (HKICPA & CPA Aust.), ACIS & ACS
Compliance officer	Mr. TANG Yun
Qualified accountant	Mr. LEE Wing Lun CPA (HKICPA & CPA Aust.), ACIS & ACS
Company secretary	Mr. LEE Wing Lun CPA (HKICPA & CPA Aust.), ACIS & ACS
Bermuda resident representative	Mr. John Charles Ross COLLIS
Bermuda deputy resident representative	Mr. Anthony Devon WHALEY
Audit Committee	Mr. Jonathan CHAN Ming Sun Mr. Robert IP Chun Chung Mr. SUN Dong Feng
Remuneration Committee	Mr. YU Xiao Mr. Robert IP Chun Chung Mr. SUN Dong Feng
Nomination Committee	Mr. YU Xiao Mr. Jonathan CHAN Ming Sun Mr. SUN Dong Feng
Auditor	SHINEWING (HK) CPA Limited 16/F, United Centre 95 Queensway Hong Kong

Chairman's Statement

FINANCIAL SUMMARY

- Revenue for the year ended 31 December 2007 was approximately 14 folds higher than the previous year, reaching approximately HK$320.9 million.

- A net loss of approximately HK$3.9 million for the year ended 31 December 2007 was generated due to late started business.

BUSINESS REVIEW

Year 2007 was the turning point for the Group

In February 2007, the Company appointed three independent non-executive directors and established audit committee, remuneration committee and nomination committee to comply with the GEM Listing Rules and the Code on Corporate Governance Practices (the "CG Code.") These would strengthen the internal control and the effectiveness of daily operating procedures. The Company then modified the internal control procedures and financial reporting system. After that, the Company appointed SHINEWING Risk Services Limited ("SHINEWING") to review the modified system and procedures and give recommendations on internal control manual. The internal control review report in relation to the recommendations and findings was provided by SHINEWING. Also the report was submitted to the Stock Exchange as requested. The Company adopted the recommendations and the findings made by SHINEWING on the Group's financial reporting system and internal control procedures of which would modified accordingly. The board of directors (the "Board") approved the new internal control manual of the Group on 27 December 2007.

During 2007, the shareholding structure has been changed. On 13 February 2007, Sichuan Investment Management Company Limited ("Sichuan Investment") entered into an agreement with Apex Digital Inc. ("Apex Digital") and Mr. David Ji Long Fen ("Mr. Ji") to purchase 69,829,340 shares and 13,180,000 shares representing approximately 21.96% and approximately 4.14% of the issued share capital of the Company respectively. Then Sichuan Investment held approximately 26.10% of the issued share capital of the Company.

During 2007, the Company appointed financial adviser and legal adviser for the application for the resumption of trading of the Company's shares. During the year, the Stock Exchange issued comments in connection with the affairs of the Company. With the efforts of the Company and the advisers, the Company replied the comments accordingly. The replies in relation to affairs raising from past operations, future business plan, memorandum of profit forecast and working capital forecast by independent adviser and relevant documents. The application for the resumption of trading is in the progress of reviewing by the Stock Exchange.

For the purpose of reviving the Company's daily business operations, the Company has entered into master sales agreement and master purchase agreement with Sichuan Changhong Electric Co.,

Chairman's Statement

Limited ("Changhong", a substantial shareholder), as a preferential agent of supplying and purchasing products and components to and from worldwide. The agreement continued to effect till 31 December 2009. As these are continuing connected transactions, the Company notified to the Stock Exchange immediately, and appointed independent financial adviser to review the transactions and to provide opinions to independent non-executive directors and shareholders. Due to the transactions benefited to the Company, the Board ratified and approved the transactions. The shareholders approved the continuing connected transactions on 18 September 2007 in a special general meeting.

The Company also devoted resources and manpower to promote non-connected business at the same time. But due to the severe competition within the electronics industry and rapid changes in the macro and micro economic and trading environment, the break through did not seem successfully.

During the year, the Group engaged in sourcing and procurement business in the consumer electronic industry (the "Procurement Business"). There was a significant improvement of the business activities due to the efforts of management to revive the operations after reorganisations of the Group and the support from Changhong, the Group has accomplished revenue of approximately HK$320.9 million and a net loss of approximately HK$3.9 million for the year ended 31 December 2007.

During the year, a settlement has been reached among U.S. Philips Corporation, Koninklijke Philips Electronics N.V., the Company and related parties regarding the patent infringement. On 2 August 2007, the proceedings were dismissed without prejudice. Pursuant to the terms of the settlement, the Company would not bear the payments including legal and professional fee to the plaintiffs.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial and liquidity positions are healthy and stable. As at 31 December 2007, the Group had no borrowings and its cash and bank balances amounted to approximately HK$25,663,000. The Group's net current assets approximate to HK$6.2 million and the Group does not have any charges on its assets. The management is confident that the Group's financial resources are sufficient to finance the daily operation.

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

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2007, the total number of the Group's staff was 16. The total staff costs (including directors) amounted to approximately HK$4.1 million for the year under review. The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group provides retirement benefit for its employees in Hong Kong in form of mandatory provident fund.

The Group established a Share Options Scheme to reward its employees for their individual performance. As at 31 December 2007, there were no outstanding share options. During the year under review, no share option had been granted nor exercised.

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

CAPITAL STRUCTURE

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

Capital of the Group comprises all components of equity, cash and bank balances and loans from a substantial shareholder. The Group has no covenant with banks for the banking facilities granted.

The usage of non-current loan from shareholder is used to support the daily operation.

SIGNIFICANT INVESTMENTS

As at 31 December 2007, the Group did not have any significant investment.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCE OF FUNDING

The Group continued to explore new business opportunities that would enhance its existing businesses. As at 31 December 2007, the Group was considering various investment projects and options but had not made any decision for it pursuing

CONTINGENT LIABILITIES

As at 31 December 2007, the Group did not have any material contingent liabilities.

Chairman's Statement

OUTLOOK

As the dispute among Changhong, Apex Digital and an executive director of the Company has been settled, and the Company has been re-organized, the Board believes that the business will set back on the track, the Procurement Business in the consumer electronic industry will build up a steady and considerable income stream of the Group. As the economy of Hong Kong become well, the management put more resources to explore further business opportunities in the consumer electronic industry, such as trading of finished goods/parts and components of televisions, set top boxes, fridges, digital photo frames and other products. The Board is confident that the business relating to the consumer electronic products will be better in the near future.

YU Xiao
Chairman

26 March 2008

Biographical Details In Respect Of Directors And Senior Management

EXECUTIVE DIRECTORS

Mr. YU Xiao, aged 39, is the chairman of the Company. He is responsible for overseeing the strategies and directions of the Group. He holds a Bachelor of National Economic Management degree from Sichuan University in the People's Republic of China ("PRC") and has more than 17 years of experience in financial and economic management.

Mr. TANG Yun, aged 42, is the managing director of the Company. He is responsible for the formulation of corporate strategy and business direction of the Group. He obtained a Master degree in Applied Physics from University of Electronic Science and Technology of China in the PRC and has more than 18 years of experience in engineering and marketing.

Mr. DU Jun, aged 35, is responsible for import and export activities of the Group in PRC and Asia. He holds a Bachelor of International Business Management (English) degree from Shanghai International Studies University in the PRC and has more than 11 years of experience in international business management.

Mr. XIANG Chao Yang, aged 50, is responsible for the PRC legal matters of the Company. He obtained a Master degree in Criminal Law of China from Sichuan University in the PRC and a Bachelor of Law degree from Southwest University of Political Science and Law in the PRC. He has more than 19 years of experience in law.

Mr. David JI Long Fen, aged 55, is responsible for the import and export activities of the Group in United States of America ("USA"). He graduated from the Department of Foreign Languages of Fudan University in Shanghai, the PRC and holds a Master of Business Administration degree from Pacific States University in USA. He has more than 16 years of experience in the consumer electronics industry in USA, including sourcing and wholesale operations. In December 2002. Mr. Ji was elected by TIME Magazine and CNN from more than 100 nominees of young executives as one of 15 Global Influentials for the year 2002.

Mr. WANG Zhenhua, aged 55, is responsible for sourcing of supplier and technical support of the Group. He obtained a Master of Business Administration degree from Tianjin University in the PRC and has more than 31 years experience in industrial and foreign trade enterprises.

Ms. SHI Ping, aged 45, is responsible for the investment and business merging of the Group. She obtained a Master of Managerial Economics degree from Nanyang Technology University in Singapore, a Master of Industrial Management Engineering degree from Chengdu University of Science and Technology and a Bachelor of Chemical Engineering degree from Hunan University in the PRC and has more than 22 years experience in economics and engineering management.

Biographical Details In Respect Of Directors And Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Jonathan CHAN Ming Sun, aged 36, is the chairman of the Audit Committee and is responsible for reviewing the internal control system. Mr. Chan is an Associate Director of Go-To-Asia Investment Limited and an independent non-executive director of Sino Katalytics Investment Corporation. He obtained his Bachelor Degree of Commerce in Accounting and Computer Information System from University of New South Wales, Australia. He is also a member of Hong Kong Institute of Certified Public Accountants and Certified Public Accountants, Australia. He has over 9 years of experience in investment and corporate finance.

Mr. Robert IP Chun Chung, aged 51, is the member of the Audit Committee and is responsible for reviewing the internal control system. Mr. Ip is a practising solicitor in Hong Kong and is a non-executive director of Poly (Hong Kong) Investment Limited. He obtained the Bachelor Degree of Arts from University of Hong Kong and held a CPE diploma and diploma in Law from the College of Law, UK. He is also a member of the Law Society of Hong Kong and the Law Society of England and Wales. He has over 26 years of experience in legal aspects.

Mr. SUN Dongfeng, aged 40, is the member of the Audit Committee and is responsible for reviewing the internal control system. Mr Sun is a senior partner of Guantao Law Firm as well as a legal advisor for a numbers of companies. He graduated from China University of Political Science and Law, and obtained a Master in Law in International Economics from the School of Law of University of Canberra, Australia. He has over 11 years of experience in legal aspects.

SENIOR MANAGEMENT

Mr. LEE Wing Lun, aged 49, is the financial controller and company secretary of the Group and is responsible for the financial and accounting management and secretarial affairs of the Group. He graduated from Australian National University with a Bachelor degree in Commerce and holds a Postgraduate Diploma in Corporate Administration from Polytechnic University of Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants, the CPA Australia, the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. He has over 13 years of working experience in auditing, accounting and finance matters including over 6 years in several audit firms and has been the financial controller of a trading group.

Corporate Governance Report

The Board considers that good corporate governance is the key to safeguarding the interests of the shareholders and enhancing the performance of the Company. The Board is committed to maintain and ensure high standard of corporate governance and will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making process are regulated in a proper and prudent manner.

Pursuant to 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 applied most of the Code Provisions as far as possible and practicable. An explanation for any deviation is adhered

DIRECTORS' SECURITIES TRANSACTIONS

The Company has complied with the requirements of director's securities transaction stated in the GEM Listing Rules. All the directors of the Company have confirmed than they have complied with the requirements as set out in the GEM Listing Rules for the year ended 31 December 2007.

BOARD OF DIRECTORS AND BOARD MEETING

The Board comprises of 9 members and their positions are as follows:

Executive Directors

Mr. David JI Long Fen	
Mr. YU Xiao	
Mr. TANG Yun	
Mr. DU Jun	
Mr. XIANG Chao Yang	
Mr. WANG Zhenhua	
Ms. SHI Ping	(appointed on 2/10/2007)

Independent Non-Executive Directors

Mr. Jonathan CHAN Ming Sun	(appointed on 12/2/2007)
Mr. Robert IP Chun Chung	(appointed on 12/2/2007)
Mr. SUN Dongfeng	(appointed on 12/2/2007)

Profiles of Directors are set out on pages 9 to 10 of this annual report for the year ended 31 December 2007.

The directors, with relevant and sufficient experience and qualifications, have exercised due care, fiduciary duties to the significant issues of the Group. The directors have no relation to each other and all directors have no business relation with the Group.

Corporate Governance Report

The directors held 18 meetings and the attendance of the directors for the financial year ended 31 December 2007 is as follows:

Name of Directors	Attendance
Mr. David JI Long Fen	6/18
Mr. YU Xiao	13/18
Mr. TANG Yun	18/18
Mr. DU Jun	16/18
Mr. XIANG Chao Yang	12/18
Mr. WANG Zhenhua	9/18
Ms. SHI Ping	3/3
Mr. Jonathan CHAN Ming Sun	9/16
Mr. Robert IP Chun Chung	1/16
Mr. SUN Dongfeng	10/16

The Board also approved matters by resolution writing. Information of material issues, due notice of meeting and minutes of each directors' meeting have been sent to each of the directors for their information, comment and review.

CHAIRMAN AND MANAGING DIRECTOR

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

On 12 February 2007, the Company appointed Mr. Jonathan CHAN Ming Sun, Mr. Robert IP Chun Chung and Mr. SUN Dongfeng as independent non-executive directors to comply with Rule 5.05 of the GEM Listing Rules.

The term of appointment is a twelve month auto-renewable service agreement with a fixed amount per annum.

REMUNERATION COMMITTEE

The Code Provision B.1.1 requires the establishment of a remuneration committee with specific written terms of reference. The majority members of the committee should be independent non-executive directors.

On 14 February 2007, the Company has set up a remuneration committee to make recommendations to the Board on the Company's policy and structure for remuneration, to establish formal and transparent procedure for developing remuneration policy, to fix the remuneration of the auditors and directors whereas any member will abstain from voting in respect of any remuneration and fees paid to his interest. The members of the committee are Mr. YU Xiao, Mr. Robert IP Chun Chung and Mr. SUN Dongfeng.

AUDITOR'S REMUNERATION

The remuneration of the audit service rendered by the auditors of the Group was mutually agreed in view of the scope of services in the total amount of HK$680,000. The auditors also provided non-audit service (i.e. internal control review) to the Company which amounted to HK$150,000 during the period.

AUDIT COMMITTEE

On 12 February 2007, the Company appointed Mr. Jonathan CHAN Ming Sun, Mr. Robert IP Chun Chung and Mr. SUN Dongfeng as audit members. The audit committee principal duties are the review and supervision of the company's financial reporting process and internal control system.

NOMINATION COMMITTEE

The Code Provision A.4.4 requires the establishment of a nomination committee with written terms of reference. The majority members of the committee should be independent non-executive directors.

On 27 December 2007, the Company has set up a nomination committee to review the profile of the current directors and nominate directors (if any) on a regular basis in order to ensure that the composition of the Board is capable to fulfill its obligation and responsibility. The members of the committee are Mr. YU Xiao, Mr. Robert IP Chun Chung and Mr. SUN Dongfeng.

PREPARATION OF FINANCIAL STATEMENTS

The directors acknowledge their responsibility for the preparation of consolidated financial statements of the Group for the year ended 31 December 2007.

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.

Corporate Governance Report

In August 2007, the Company appointed SHINEWING to review the effectiveness of the Group's existing financial reporting system and internal control procedures and to give recommendations in connection with daily operating practice. The followings are the findings by SHINEWING:

(1) incomplete supporting documents in revenue and purchase cycles;

(2) inefficient internal communication on customers' settlement in revenue and purchase cycles;

(3) poor maintenance of customer/supplier files in revenue and purchase cycles;

(4) transactions cutoff problem due to non-compliance with revenue recognition policy;

(5) lack of quality assurance procedures in revenue and purchase cycles;

(6) lack of segregation of duties in fixed assets and financial reporting cycles;

(7) inconsistent application of accounting policies in financial reporting cycles; and

(8) absence of control procedures on inventory cycle and sales return.

The management including members of the audit committee of the Group accepted and approved the findings and recommendations by SHINEWING. Based on the recommendations, the Group has modified and formulated internal control manual covering the related aspects of the daily operations. On 27 December 2007, a Board meeting was held to review the effectiveness of financial reporting system and internal control procedure.

A subsequent follow up review of internal control system was conducted by SHINEWING in February 2008, no material deficiencies have been identified during the assessment. The findings were as following :

(1) the Group has improved and implemented the procedures on the revenue and purchase cycles and ensures all the supporting documents thereto are adequate and complete.

(2) the Group has introduced new procedures and control policy to ensure proper internal communication within the Group on the payment terms to suppliers and from customers in respect of its revenue and purchase cycles.

(3) the Group has set up and implemented procedures to ensure good maintenance and possession of files on customers and suppliers in respect of its revenue and purchase cycles.

(4) the Group has adjusted its accounting policies in accordance with the Hong Kong Financial Reporting Standards to avoid transactions cutoff problem.

(5) the Group has formulated and implemented quality assurance procedures in revenue and purchase cycles.

(6) the Group has managed to segregate the duties between fixed assets cycles and financial reporting system.

(7) the Group has adjusted its accounting policies to ensure consistency within the companies in respect of its financial reporting cycles.

(8) the Group has formulated and implemented internal control procedures on inventory cycles and sales return.

SHINEWING confirmed that the Group has an adequate financial reporting system and internal control procedures. Both the internal control review report and the follow up internal control review report are documented for checking upon request.

Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The Group's loss for the year ended 31 December 2007 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 27 to 64.

The board do not recommend the payment of any dividend in respect of the year (2006: Nil).

SUMMARY OF FINANCIAL INFORMATION

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

Results

	Year ended 31 December				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**320,949**	22,928	28,927	578,032	180,750
Cost of goods sold	**(315,952)**	(28,496)	(28,185)	(554,419)	(171,509)
Gross (loss)/profit	**4,997**	(5,568)	742	23,613	9,241
Other income	**184**	22,426	144	356	246
Selling expenses	**(272)**	(1,087)	(956)	(3,613)	–
Administrative expenses	**(8,252)**	(6,256)	(8,547)	(13,040)	(7,694)
Other operating (expenses)/Income	**–**	(25,385)	(395)	(7,632)	14
(Loss)/Profit from operations	**(3,343)**	(15,870)	(9,012)	(316)	1,807
Finance cost	**(61)**	(251)	(354)	–	–
Gain on disposal of subsidiaries attributable to discontinued operations	**–**	–	–	6,612	–
(Loss)/Profit before Tax	**(3,404)**	(16,121)	(9,366)	6,296	1,807
Tax	**(492)**	(74)	16	(5,933)	(44)
(Loss)/Profit for the year	**(3,896)**	(16,195)	(9,350)	363	1,763
Attributable to:					
Equity holders of the Company	**(3,896)**	(16,195)	(9,350)	363	1,302
Minority interests	–	–	–	–	461
	(3,896)	(16,195)	(9,350)	363	1,763

Report of the Directors

Assets, Liabilities and Minority Interests

	31 December				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(Restated)		
Total Assets	**104,897**	1,605	42,222	36,875	89,884
Total Liabilities	**(118,002)**	(10,814)	(35,236)	(20,539)	(72,002)
Minority Interests	**–**	–	–	–	–
Total Equity	**(13,105)**	(9,209)	6,986	16,336	17,882

FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in note 18 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons thereof, are set out in notes 27 and 29 to the financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

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

DISTRIBUTABLE RESERVES

At 31 December 2007, the Company did not have any reserves available for distribution, other than the Company's share premium account, in the amount of approximately HK$28,537,000, which may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 92% of the total sales for the year and sales to the largest customer included therein amounted to approximately 74%. Purchases from the Group's five largest suppliers accounted for approximately 79% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 66%.

Whereas three customers were the subsidiaries of the substantial shareholder (ie. Changhong), the sales accounted for approximately 24% of the total sales for the year. Also Changhong was one of the largest customer and supplier which accounted for approximately 74% and 15% of the total sales and purchases respectively.

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

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr. YU Xiao	
Mr. David JI Long Fen	
Mr. TANG Yun	
Mr. DU Jun	
Mr. XIANG Chao Yang	
Mr. WANG Zhenhua	
Ms. SHI Ping	(appointed on 2/10/2007)

Independent non-executive directors:

Mr. Jonathan CHAN Ming Sun	(appointed on 12/2/2007)
Mr. Robert IP Chun Chung	(appointed on 12/2/2007)
Mr. SUN Dongfeng	(appointed on 12/2/2007)

In accordance with clause 86 of the Company's bye-laws, Mr. Tang Yun and Mr. DU Jun will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Report of the Directors

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on page 9 to 10 of the annual report.

DIRECTORS' SERVICE CONTRACTS

All directors (including directors proposed for re-election at the forthcoming annual general meeting and independent non-executive directors) have a yearly service contract with the Company.

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

DIRECTORS' INTERESTS IN CONTRACTS

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

INTERESTS OF THE DIRECTORS IN THE COMPANY

As at 31 December 2007, the interests and short positions of the Directors in the ordinary Shares of the Company (the "Shares"), underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Long positions in Shares

Name of Director	Number of Shares	Capacity	Type of Interest	Approximate percentage of interest
Mr. Ji *(notes (a), (b) and (c))*	–	Interest of a controlled corporation	Corporate	–
	44,520,000	Beneficial owner	Personal	14.00

Notes

(a) On 2 March 2007, Sichuan Investment bought 69,829,340 shares and 13,180,000 shares from Apex Digital and Mr. Ji representing approximately 21.96% and 4.14% respectively at the consideration of HK$0.72 per share.

(b) Apex Digital is controlled by Mr. Ji and United Delta Inc. ("United Delta", a ex-beneficial shareholder"), a private corporation incorporated in the USA which is wholly owned by Mr. Ji from 10 April 2006. Accordingly, Mr. Ji is deemed to be interested in the 69,829,340 shares owned by Apex Digital up to 2 March 2007.

(c) Up to 2 March 2007, Mr. Ji's deemed interest in the 69,829,340 shares held by Apex Digital and is interested in another 57,700,000 shares held by him directly, and is therefore interested in a total of 127,529,340 shares.

Save as disclosed in this paragraph, as at 31 December 2007, none of the Directors had interests in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS IN THE COMPANY

As at 31 December 2007, 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:

Report of the Directors

Long positions in Shares

Name of substantial shareholder	Capacity	Number of Shares	Approximate percentage of interest %
Changhong	Directly beneficially owned	95,368,000	29.99
Sichuan Investment *(note (a))*	Directly beneficially owned	83,009,340	26.10
Apex Digital *(note (a) & (b))*	Directly beneficially owned	–	–
United Delta *(note (a) & (b))*	Through a controlled corporation	–	–
Mr. Ji *(notes (a), (b) & (c))*	Through a controlled corporation	–	–
	Directly beneficially owned	44,520,000	14.00
Ms. Liu Ru Ying *(note (c) & (d))*	Through spouse	44,520,000	14.00

Notes

(a) On 2 March 2007, Sichuan Investment bought 69,829,340 shares and 13,180,000 shares from Apex Digital and Mr. Ji representing approximately 21.96% and 4.14% respectively at the consideration of HK$0.72 per share.

(b) Apex Digital is controlled by Mr. Ji and United Delta. Accordingly, Mr. Ji is deemed to be interested in the 69,829,340 shares owned by Apex Digital up to 2 March 2007.

(c) Up to 2 March 2007, Mr. Ji's deemed interest in the 69,829,340 shares held by Apex Digital and is interested in another 57,700,000 shares held by him directly, and is therefore interested in a total of 127,529,340 shares.

(d) Ms. Liu Ru Ying is the spouse of Mr. Ji and, under Section 316 of the SFO, is therefore deemed to be interested in all 44,520,000 shares in which Mr. Ji is interested after 2 March 2007.

(e) On 5 March 2007, Mr. Wang Qiao bought 10,000,000 shares from Mr. Xu Gao Hui ("Mr. Xu") representing approximately 3.14% at the consideration of HK$0.2 per share. After that, the total number of shares held by Mr. Xu has decreased to 12,350,000 representing approximately 3.88% of the Company's shares.

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

COMPETING INTEREST

Apex Digital was founded by Mr. Ji and Mr. Ancle Hsu Ann Keh, a present executive director and a former director of the Company, and is controlled by Mr. Ji and United Delta, which is wholly owned by Mr. Ji from 10 April 2006. Apex Digital is principally engaged in the wholesaling business of consumer home electronics items under the name of "APEX Digital". As Apex Digital did not hold any securities of the Company from 2 March 2007, there is not any competing interest afterward.

Whereas Changhong, a company incorporated in the PRC and is listed in PRC Stock Exchange. Changhong is principally engaged in the wholesaling business of consumer home electronics items under the name of "Changhong". On 8 September 2006, Changhong becomes a substantial shareholder of the Company.

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

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions of the Group are set out in note 33 to the consolidated financial statements.

COMPLIANCE WITH CODE OF BEST PRACTICE

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

Report of the Directors

AUDITORS

Messrs. SHINEWING (HK) CPA Limited were appointed as the auditors of the Company by the approval of the shareholders of the Company at the special general meeting held on 9 January 2008 in succession to Messrs. RSM Nelson Wheeler, Certified Public Accountants who resigned from the office on 19 November 2007.

The financial statements of the Group for the year ended 31 December 2007 were audited by Messrs. SHINEWING (HK) CPA Limited who shall retire and, being eligible, offer themselves for re-appointment as the auditors of the Company at the forthcoming annual general meeting.

For and on behalf of the Board
YU Xiao
Chairman

Hong Kong
26 March 2008

Independent Auditor's Report

信永中和
ShineWing

SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

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

We have audited the consolidated financial statements of China Data Broadcasting Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 27 to 64, which comprise the consolidated balance sheet as at 31 December 2007, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal

Independent Auditor's Report

control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

Hong Kong
26 March 2008

Consolidated Income Statement

For the year ended 31 December 2007

	NOTES	**2007 HK$'000**	2006 HK$'000
Turnover	7	**320,949**	22,928
Cost of Sales		**(315,952)**	(28,496)
Gross profit/(loss)		**4,997**	(5,568)
Other income	8	**184**	22,426
Distribution and selling expenses		**(272)**	(1,087)
Administrative expenses		**(8,252)**	(6,256)
Other expenses	10	**–**	(25,385)
Finance costs	11	**(61)**	(251)
Loss before taxation		**(3,404)**	(16,121)
Taxation	13	**(492)**	(74)
Loss for the year	15	**(3,896)**	(16,195)
Loss per share			
Basic	17	**(1.23 cents)**	(5.09 cents)
Diluted		**N/A**	N/A

Consolidated Balance Sheet

As at 31 December 2007

	NOTES	2007 HK$'000	2006 HK$'000
Non-current asset			
Property, plant and equipment	18	**146**	86
Current assets			
Trade and bills receivables	19	**60,362**	–
Trade deposits paid	20	**18,190**	–
Prepayments, deposits and other receivables		**471**	778
Amounts due from substantial shareholders	21	**–**	67
Amount due from a related company	22	**65**	–
Cash and bank balances	23	**25,663**	674
		104,751	1,519
Current liabilities			
Trade payables	24	**32,970**	1,560
Accruals and other payables		**3,586**	4,303
Customer deposits	25	**56,465**	–
Amount due to a director	26	**5**	23
Tax liabilities		**5,477**	4,928
		98,503	10,814
Net current asset/(liabilities)		**6,248**	(9,295)
Total assets less current liabilities		**6,394**	(9,209)
Capital and reserves			
Share capital	27	**7,950**	7,950
Share premium and reserves		**(21,055)**	(17,159)
TOTAL EQUITY		**(13,105)**	(9,209)
Non– current liabilities			
Loan from a substantial shareholder	28	**19,499**	–
		6,394	(9,209)

The consolidated financial statements on pages 27 to 64 were approved and authorised for issue by the Board of Directors on 26 March 2008 and are signed on its behalf by:

Director *Director*

Consolidated Statement Of Changes In Equity

For the year ended 31 December 2007

	Share Capital *HK$'000*	Share premium *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2006	7,950	28,537	(29,501)	6,986
Loss for the year	–	–	(16,195)	(16,195)
At 31 December 2006	7,950	28,537	(45,696)	(9,209)
Loss for the year	–	–	(3,896)	(3,896)
At 31 December 2007	7,950	28,537	(49,592)	(13,105)

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	2007 HK$'000	2006 HK$'000
OPERATING ACTIVITIES		
Loss before taxation	**(3,404)**	(16,121)
Adjustments for:		
Depreciation	**77**	43
Interest income	**(177)**	(121)
Waiver of an amount due to a substantial shareholder	**–**	(22,254)
Interest expenses	**61**	251
Bad debts written off	**–**	33
Impairment loss on inventories	**–**	108
Impairment loss on trade deposit paid	**–**	2,496
Impairment loss on an amount due from a substantial shareholder	**–**	5,281
Impairment loss on an amount due from a subsidiary of a substantial shareholders	**–**	6,645
Inventories written off	**–**	10,822
Operating cash flow before movements in working capital	**(3,443)**	(12,817)
Decrease in inventories	**–**	11,250
(Increase)/decrease in trade and bills receivables	**(60,362)**	4,666
(Increase)/decrease in trade deposits paid	**(18,190)**	3,120
Decrease/(increase) in prepayments, deposits and other receivables	**307**	(434)
Decrease/(increase) in amounts due from substantial shareholders	**67**	(4,941)
Increase in amount due from a subsidiary of a substantial shareholder	**(65)**	(5,021)
Increase/(decrease) in trade payables	**31,410**	(3,535)
(Decrease)/increase in accruals and other payables	**(717)**	686
Increase in customer deposits	**56,465**	–
(Decrease)/increase in an amount due to a director	**(18)**	413
Net cash generated from/(used in) operations	**5,454**	(6,613)
Interest received	**177**	121
Hong Kong Profits Tax refund/(paid)	**57**	(68)
Overseas tax paid	**–**	(6)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	**5,688**	(6,566)

	NOTE	2007 HK$'000	2006 HK$'000
NET CASH USED IN INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(137)**	(4)
FINANCING ACTIVITIES			
Interest paid		**(61)**	–
Loan raised from a substantial shareholder		**19,499**	–
NET CASH GENERATED FROM FINANCING ACTIVITIES		**19,438**	–
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**24,989**	(6,570)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**674**	7,244
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**25,663**	674
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	**25,597**	610
Time deposits with original maturity of less than three months when acquired	23	**66**	64
		25,663	674

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

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 located at Unit 3701, 37/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong. The Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The trading of the shares of the Company in the Stock Exchange has been suspended since 28 December 2004 at the request of the Company and will remain suspended until further notice.

The consolidated financial statements are presented in Hong Kong Dollar ("HKD") which is also the functional currency of the Group.

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

At 31 December 2007, the Group had deficit in shareholders' fund of approximately HK$11.2 million. Nevertheless, the financial statements have been prepared on a going concern basis because the substantial shareholder has confirmed not to demand for repayment of the loan advanced to the Group, with a carrying amount of approximately HK$19,499,000 as at 31 December 2007 (note 28), at least 1 year after the Company's resumption of trading in Hong Kong Stock Exchange, and the Company has secured a master sale agreement and a master purchase agreement with a substantial shareholder pursuant to which the Group's current business has been conducted. The directors are of the opinion that such business will generate stable and sufficient cash flow for the Group and provide adequate funds to enable the Group to meet in full its financial obligations as they fall due in the foreseeable future.

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

In the current year, the Group has applied, for the first time, a number of new or revised Hong Kong Accounting Standards ("HKASs"), "HKFRSs", amendments and interpretations ("INTs") (herein collectively referred to as "New HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 January 2007. The adoption of the New HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

The Group has not early adopted the following new standards and revised standards or interpretations that have been issued but are not yet effective. The Group has commenced considering the potential impact of these new or revised HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellation[1]
HKFRS 3 (Revised)	Business Combination[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-INT 11	HKFRS 2 – Group and Treasury Share Transactions[3]
HK(IFRIC)-INT 12	Service Concession Arrangements[4]
HK(IFRIC)-INT 13	Customer Loyalty Programmes[5]
HK(IFRIC)-INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

[1] Effective for annual periods beginning on or after 1 January 2009.
[2] Effective for annual periods beginning on or after 1 July 2009.
[3] Effective for annual periods beginning on or after 1 March 2007.
[4] Effective for annual periods beginning on or after 1 January 2008.
[5] Effective for annual periods beginning on or after 1 July 2008.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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

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

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation of property, plant and equipment is calculated at rates sufficient to write off their costs less their residual values over the estimated useful lives on a straight-line basis.

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on decognition of the assets (calculated as the difference between the net sales proceeds and the carrying amount of the relevant asset) is recognised in the consolidated income statement in the year in which the item is derecognised.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group entities to become a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policy adopted in respect of loans and receivables is set out below.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payment that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and bills receivables, trade deposits paid, prepayment, deposits and other receivables, amounts due from substantial shareholders/related company and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent years when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognized, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

Income is recognized on an effective basis for debt instruments.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities and equity *(Continued)*

Other financial liabilities

Other financial liabilities including trade payables, accruals and other payables, customer deposits and amount due to a director are subsequently measured at amortised cost, using the effective interest method.

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

Interest expense is recognized on an effective interest basis.

Equity instruments

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

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in profit or loss.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amounts of the financial liability derecognized and the consideration paid and payable is recognised in profit or loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognized when goods are delivered and title has passed to customers.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the year in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included a profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

Leases

Leases are classified as finance lease whenever the terms of the leases transfer substantially all the risk and rewards of ownership to the lessees. All other leases are classified as operating leases.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivables as an incentive to enter into an operating lease are recognized as a reduction of rental expense over the lease term on a straight-line basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

Income tax represents the sum of the current tax and deferred tax.

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of assets *(Continued)*

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the consolidated income statement.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Borrowing costs

All borrowing costs are recognized as and included in finance costs in the consolidated income statement in the year in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

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

(a) Impairment of receivables

Management regularly reviews the recoverability and/or age of receivables. Appropriate impairment for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired.

In determining whether impairment for bad and doubtful debts is required, the Group takes into consideration the current creditworthiness, the past collection history, age status and likelihood of collection. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flow expected to receive discounted using the original effective interest rate and its carrying value. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required.

(b) Income taxes

The Group is subject to income taxes in different jurisdictions. Significant estimates are required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

As at the balance sheet dates, the Group's financial assets were all classified as loans and receivables and financial liabilities were all classified as stated at amortised cost.

The Group's major financial instruments include bank balances and cash, borrowings, trade receivable and trade payable. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Foreign currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 98% of the Group's sales are denominated in United States Dollar, which is different from the functional currency of the group entity making the sale, whilst almost 98% of costs are also denominated in United States Dollar.

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

	Assets		Liabilities	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
United Stated Dollar	**102,690**	285	**108,934**	1,560

The Group does not currently have a foreign currency hedging policy in respect of foreign currency debts as the directors consider the fluctuation in exchange rate of United States Dollar to be insignificant. The Group will monitor its foreign currency exposure closely and will consider hedging significant currency exposure should the need arise.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Foreign currency risk *(Continued)*

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in HKD against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis included loan from a substantial shareholder where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit where HKD strengthen 5% against the relevant currency. For a 5% weakening of HKD against the relevant currency, there would be an equal and opposite impact on the profit below would be negative.

	United States Dollar Impact	
	2007	2006
	HK$'000	*HK$'000*
Profit and loss	**297**	61

(b) Interest rate risk

As the Group has no significant interest-bearing assets and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

(c) Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2007 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet.

The Group has concentration of credit risk as 92% (2006: Nil) of the total trade receivables was due from the Group's largest customers which include a substantial shareholder of the Company and companies under its control. The Group has procedures in place for credit assessment on all customers including such companies and the management consider that such companies are of acceptable credit standing. The Group will regularly review the settlement progress and probability of collection of all customer accounts. Proper action will be taken for overdue accounts and proper provision will be considered for long-outstanding balances.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(d) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalent deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. At 31 December 2007 the Group suffered a deficit in its shareholders' equity. To deal with such impact on liquidity of the Group, the management has negotiated with one of its substantial shareholder and succeeded in obtaining its confirmation not to demand the Group for repayment for the advances made to the Group for at least 1 year after the Company's resumption of trading in Hong Kong Stock Exchange (note 28) as a short-term measure.

The Group currently relies on internal fund generated from operation as a significant source of liquidity. The Company has secured a master sale agreement and a master purchase agreement with a substantial shareholder pursuant to which the Group's current business has been conducted. The directors are of the option that such business will generate stable and sufficient cash flow for the Group and provide adequate funds to enable the Group to meet in full its financial obligations as they fall due in the foreseeable future.

The management will closely monitor the cash flow generated from operations and the Group's needs for different types of external financing and will negotiate for proper facilities and consider proper means of equity financing as appropriate.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Weighted average effective interest rate %	Less than 1 month *HK$'000*	1-3 months *HK$'000*	3 months to 1 year *HK$'000*	1-5 years *HK$'000*	Total undiscounted cash flows *HK$'000*
2007						
Non-derivative financial liabilities						
Trade payables	-	18,131	14,839	-	-	32,970
Accruals and other payables	-	-	3,586	-	-	3,586
Amount due to a director	-	5	-	-	-	5
Long term loan	8.75	-	-	-	19,499	19,499
		18,136	18,425	-	19,499	56,060

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(d) Liquidity risk *(Continued)*

	Weighted average effective interest rate %	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000
2006						
Non-derivative financial liabilities						
Trade payables	–	1,560	–	–	–	1,560
Accruals and other payable	–	–	4,303	–	–	4,303
Amount due to a director		5	–	–	–	5
		1,565	4,303	–	–	5,868

(e) Fair values of financial assets and liabilities

The fair value of financial assets and financial liabilities are determined as follows:

– the fair value of financial assets and financial liabilities not traded on active liquid markets are determined in accordance with generally accepted pricing models based on discounted cash flow analysis, using prices or rates from observable current market transactions as input.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost on the consolidated financial statements approximate their fair values.

(f) Capital management

The primary objective of the Group's capital management is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide adequate return to shareholders by pricing products and services commensurately with the level of risk.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(f) Capital management *(Continued)*

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

The Group monitors capital by maintaining cash flows from operating activities, investing activities and financial activities. Capital of the Group comprises all components of equity, cash and bank balances and loans from a substantial shareholder. The Group's approach to capital management remains unchanged throughout the years. The Group has no covenant with banks for the banking facilities granted.

The usage of non-current loan from shareholder is used to support the daily operation.

7. TURNOVER

The Group's turnover which represents the invoiced value of goods sold and after allowances for goods returned and trade discounts is as follows:

	2007 ***HK$'000***	2006 *HK$'000*
Gross amount	**320,949**	23,563
Less: Goods returned	**–**	(635)
Net amount	**320,949**	22,928

8. OTHER INCOME

	2007 ***HK$'000***	2006 *HK$'000*
Interest income	**177**	121
Waiver of an amount due to a substantial shareholder	**–**	22,254
Others	**7**	51
	184	22,426

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

9. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions.

(a) Business segments

The Group has been operating in a single business segment, that is trading of consumer electronic products and the related parts and components.

(b) Geographical segments

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

	2007 ***HK$'000***	2006 *HK$'000*
People's Republic of China	**277,107**	831
Asia	**29,424**	–
Australia	**13,603**	–
Hong Kong	**809**	906
Europe	**6**	12,826
United States of America ("USA")	**–**	5,237
India	**–**	3,128
	320,949	22,928

The following is an analysis of the carrying amount of segment assets, analysed by the geographical area in which the assets are located:

	Segment assets	
	2007 ***HK$'000***	2006 *HK$'000*
Hong Kong	**104,787**	1,484
USA	**110**	121
	104,897	1,605

9. SEGMENT INFORMATION *(Continued)*

(b) Geographical segments *(Continued)*

The following is an analysis of capital expenditure, analysed by the geographical area in which the assets are located:

	Capital expenditure	
	2007	2006
	HK$'000	*HK$'000*
Hong Kong	**137**	4

10. OTHER EXPENSES

	2007	2006
	HK$'000	*HK$'000*
Bad debts written off	**–**	33
Allowance for inventories	**–**	108
Impairment loss on trade deposit paid	**–**	2,496
Impairment loss on an amount due from a substantial shareholder	**–**	5,281
Impairment loss on an amount due from a subsidiary of a substantial shareholder	**–**	6,645
Inventories written off	**–**	10,822
	–	25,385

11. FINANCE COSTS

	2007	2006
	HK$'000	*HK$'000*
Interest expense on borrowings wholly repayable within 90 days	**61**	251

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

12. DIVIDENDS

The directors of the Company have resolved not to recommend the payment of any dividend for the year ended 31 December 2007 (2006: nil).

13. TAXATION

	2007	2006
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
– Current tax	**550**	58
– (Over)/underprovision in prior years	**(58)**	10
Income tax of other jurisdiction		
– Current	**–**	6
	492	74

Hong Kong Profits tax is calculated at 17.5% (2006 : 17.5%) of the estimated assessable profit for the year.

Taxes of other jurisdiction have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof for the year ended 31 December 2007 and 2006.

A reconciliation of the tax expense for the year to the loss per the consolidated income statement is as follow:

	2007	2006
	HK$'000	*HK$'000*
Loss before taxation	**(3,404)**	(16,121)
Tax at the statutory tax rate	**(596)**	(2,794)
Income not subject to tax	**(14)**	(3,899)
Expenses not deductible for tax	**5**	4,916
Deferred tax assets not recognised	**–**	62
Tax losses not recognised	**1,155**	1,822
(Over)/under-provision in previous year	**(58)**	10
Utilisation of tax losses not previously recognised	**–**	(43)
Income tax expense	**492**	74

14. DEFERRED TAXATION

At 31 December 2007, the Group has unused tax losses of approximately HK$23,325,000 (2006: HK$16,727,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

15. LOSS FOR THE YEAR

The loss for the year is stated after charging the following:

	2007	2006
	HK$'000	*HK$'000*
Depreciation	**77**	43
Exchange losses, net	**–**	33
Auditor's remuneration	**680**	800
Staff costs (including directors' remuneration *(note 16)*)		
– Salaries and related staff costs	**4,000**	2,636
– Retirement benefits scheme contributions	**68**	36
	4,068	2,672

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

16. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

Details of emoluments paid by the Group to the directors during the year are as follows:

For the year ended 31 December 2007

	Fees	Salaries and allowances	Bonus for past contribution	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive director				
Mr. David JI Long Fen ("Mr. Ji")	85	472	–	557
Mr. DU Jun	–	248	–	248
Mr. SHI Ping *(Note (a))*	15	–	–	15
Mr. TANG Yun	–	600	–	600
Mr. WANG Zhenhua	62	–	–	62
Mr. XIANG Chao Yang	–	480	–	480
Mr. YU Xiao	70	–	–	70
Independent non-executive directors				
Mr. Jonathan CHAN Ming Sun *(Note (b))*	105	–	–	105
Mr. Robert IP Chun Chung *(Note (b))*	105	–	–	105
Mr. SUN Donfeng *(Note (b))*	105	–	–	105
Total for 2007	547	1,800	–	2,347

Note (a): Appointed on 2 October 2007
Note (b): Appointed on 12 February 2007

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

(a) Directors' emoluments *(Continued)*

For the year ended 31 December 2006

	Fees *HK$'000*	Salaries and allowances *HK$'000*	Bonus for past contribution *HK$'000*	Total *HK$'000*
Executive director				
Mr. David JI Long Fen ("Mr. Ji")	–	939	–	939
Mr. Tang Yun	–	85	–	85
Mr. Du Jun *(Note (a))*	–	29	–	29
Mr. Xiang Chao Yang *(Note (a))*	–	68	–	68
Mr. Wang Zhenhua *(Note (b))*	–	13	–	13
Mr. Alice HSU Chu Yun *(Note (c))*	–	–	78	78
Total for 2006	–	1,134	78	1,212

Notes: (a) Appointed on 1 November 2006
(b) Appointed on 19 December 2006
(c) Resigned on 19 December 2006

No directors of the Company waived or agreed to waive any emoluments paid by the Group and no incentive payment for joining the Group or compensation for loss of office was paid or payable to any director of the Company during the two years ended 31 December 2007 and 2006.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

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

(b) Employee's emoluments

The five highest paid individuals in the Group during the year included three (2006: one) directors whose emolument is reflected in the analysis presented above. The emoluments of the remaining two (2006: four) individuals is set out below:

	2007	2006
	HK$'000	*HK$'000*
Basic salaries and allowances	**791**	1,223
Retirement benefit scheme contributions	**24**	30
	815	1,253

Remuneration of each of the non-director, highest paid employee for both years falls within the band of less than HK$1,000,000.

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

17. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the year of approximately HK$3,896,000 (2006: HK$16,195,000), and the weighted average number of ordinary shares of 318,000,000 (2006: 318,000,000) in issue during the year.

No diluted loss per share is presented for the year ended 31 December 2007 and 31 December 2006 as the Company did not have any dilutive potential ordinary shares in existence during the year.

18. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixture and equipment *HK$'000*	Leasehold improvements *HK$'000*	Total *HK$'000*
COST			
At 1 January 2006	1,388	304	1,692
Additions	4	–	4
Written off	(1,185)	–	(1,185)
At 31 December 2006 and 1 January 2007	207	304	511
Additions	36	101	137
At 31 December 2007	243	405	648
ACCUMULATED DEPRECIATION			
At 1 January 2006	1,265	302	1,567
Charge for the year	41	2	43
Written off	(1,185)	–	(1,185)
At 31 December 2006 and 1 January 2007	121	304	425
Charge for the year	44	33	77
At 31 December 2007	165	337	502
CARRYING AMOUNT			
At 31 December 2007	78	68	146
At 31 December 2006	86	–	86

The above items of property and equipment are depreciated on a straight-line basis over the estimated useful lives as below:

Furniture, fixture and equipment	5 years
Leasehold improvements	5 – 6.25 years

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

19. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are 30-90 days.

Included in the balance is amount due from subsidiaries of a substantial shareholder of the Company of approximately HK$38,200,000 (2006: Nil) and amount due from a substantial shareholder of the Company of approximately HK$12,193,000 (2006: Nil).

The aging analysis of trade receivables as at the balance sheet date, based on invoice date, is as follows:

	2007	2006
	HK$'000	*HK$'000*
Within 30 days	**14,796**	–
31-60 days	**22,172**	–
61-90 days	**17,558**	–
3 – 6 months	**5,836**	–
	60,362	–

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. 80% of the trade receivables that are neither past due nor impaired have the best credit scoring attributable under the external credit scoring system used by the Group.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately HK$9,966,000 (2006: Nil) which are past due at the balance sheet date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 45 days (2006: 45 days). Receivables that were past due but not impaired were all aged over 30 days, 60 days and 90 days in respect to a number of individual customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances are still considered fully recoverable.

19. TRADE AND BILLS RECEIVABLES *(Continued)*

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

	2007	2006
	HK$'000	*HK$'000*
0 – 30 days	**4,617**	–
31 – 60 days	**3,128**	–
60 – 90 days	**2,221**	–
Total	**9,966**	–

20. TRADE DEPOSITS PAID

Included in the balance is the amount due from a substantial shareholder of the Company of approximately HK$9,393,000 (2006: Nil).

21. AMOUNTS DUE FROM SUBSTANTIAL SHAREHOLDERS

Substantial Shareholders	**Balance at 31/12/2007**	**Balance at 31/12/2006**	**Maximum amount outstanding during the year**
	HK$'000	*HK$'000*	*HK$'000*
Sichuan Changhong Electric Co., Ltd *(Note (a))*	–	2	2
Apex Digital Inc. ("ADI") *(Note (b))*	–	65	65
	–	67	

(a) The amount due from Changhong is unsecured, interest free and repayable on demand.

(b) ADI ceased to be a shareholder of the Company after a transfer of shares taken place on 13 February 2007. The balance with ADI as at 31 December 2007 is classified as amount due from a related company (note 22). The amount due from ADI is unsecured, interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

22. AMOUNT DUE FROM A RELATED COMPANY

	2007	2006
	HK$'000	*HK$'000*
At the balance sheet date	**65**	–
Maximum amount outstanding during the year	**65**	–

The balance was due from ADI, a former substantial shareholder of the Company. Mr. David Ji, director of the Company, had beneficial interest in ADI. The amount is unsecured, interest free and repayable on demand.

23. CASH AND BANK BALANCES

	2007	2006
	HK$'000	*HK$'000*
Cash and bank balances	**25,597**	610
Time deposits	**66**	64
	25,663	674

Included in bank balances and time deposits are the following amounts which are subject to foreign exchange control regulations or not freely transferable:

	2007	2006
	'000	*'000*
United Stated Dollar	**3,082**	–
Australia Dollar	**1**	42
Euro	**33**	–

Bank balances bears interest at rates based on daily bank deposits rates. Short term time deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at market short term deposit rates of approximately 3.15% (2006: 2.9%)

24. TRADE PAYABLES

Included in the balance are amounts due to a subsidiary of a substantial shareholder of approximately HK$2,944,000 (2006: Nil). The aging analysis of trade payables, based on the date of receipt of goods, is as follows:

	2007 **HK$'000**	2006 HK$'000
Within 30 days	**15,861**	–
31-60 days	**10,485**	–
61-90 days	**1,940**	–
3-6 months	**3,124**	–
6-12 months	**–**	–
Over 1 year	**1,560**	1,560
	32,970	1,560

25. CUSTOMER DEPOSITS

Included in the amount is a balance with a substantial shareholder of approximately HK$38,011,000 (2006: Nil).

26. AMOUNT DUE TO A DIRECTOR

The amount due to a director of the Company, Mr. Ji, is unsecured, interest free and repayable on demand.

27. SHARE CAPITAL

Shares

	2007 **HK$'000**	2006 HK$'000
Authorised:		
1,200,000,000 ordinary shares of HK$0.025 each	**30,000**	30,000
Issued and fully paid:		
318,000,000 ordinary shares of HK$0.025 each	**7,950**	7,950

Share options

Details of the Company's share option schemes are included in note 29.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

28. LOAN FROM A SUBSTANTIAL SHAREHOLDER

The amount of loan from a substantial shareholder is unsecured, interest free and repayable at least 1 year after the Company's resumption of trading in Hong Kong Stock Exchange.

29. SHARE OPTION SCHEME

On 11 January 2000, the Company approved the share option scheme (the "Scheme") under which the directors may, at their discretion, grant options to full-time employees ("Employees") of the Company and its subsidiaries (including executive directors of the Company and its subsidiaries) to subscribe for shares in the Company. The scheme became effective upon the listing of the Company's shares on the GEM on 24 January 2000.

The maximum number of shares in respect of which options may be granted may not exceed 10% of the share capital of the Company in issue from time to time other than: (i) shares issued pursuant to this Scheme; and (ii) any pro rata entitlements to further issues in respect of any shares mentioned in (i) during a period of 10 years from the date when the Scheme is adopted. The subscription price shall be a price determined by the board of directors at its absolute discretion and notified to Employees and shall be no less than the higher of: (i) the closing price of the shares as stated in the daily quotation sheets issued by the GEM on the offer date; (ii) the average closing price of the shares as stated in the daily quotation sheets issued by the GEM for the five business days immediately preceding the offer date; and (iii) the nominal value of a share.

Share options do not confer rights on the holders to dividends or to vote at shareholder meetings.

During the years ended 31 December 2007 and 2006, no options under the scheme had been granted to any person.

30. BALANCE SHEET OF THE COMPANY

	2007 *HK$'000*	2006 *HK$'000*
Non-current assets		
Property and equipment	**67**	–
Investments in subsidiaries	**100**	100
	167	100
Current assets		
Prepayments, deposits and other receivables	**456**	201
Amount due from a subsidiary	**4**	16,205
Cash and bank balances	**1,017**	143
	1,477	16,549
Current liabilities		
Accruals and other payables	**(880)**	(1,050)
Amount due to subsidiaries	**(9,759)**	(3,279)
	(10,639)	(4,329)
Net current (liabilities)/assets	**(9,162)**	12,220
NET (LIABILITIES)/ASSETS	**(8,995)**	12,320
Capital and reserves		
Share capital	**7,950**	7,950
Reserves	**(16,945)**	4,370
TOTAL EQUITY	**(8,995)**	12,320

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

31. OPERATING LEASE COMMITMENTS

The Group as lessee:

	2007	2006
	HK$'000	*HK$'000*
Minimum lease payments under operating lease during the year	**987**	683

As at the respective balance sheet dates, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises and staff quarters which fall due as follows:

	2007	2006
	HK$'000	*HK$'000*
Within one year	**1,319**	465
In the second to fifth years, inclusive	**810**	–
	2,129	465

Leases are negotiated and rentals are fixed for terms of 2 years (2006: 2 years).

32. RETIREMENT BENEFIT SCHEME

The Group has joined the Mandatory Provident Fund Scheme ("MPF Scheme") for all of its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme.

The retirement benefit scheme contributions arising from the MPF Scheme charged to the income statement represent contributions payable to the scheme by the Group at rates specified in the rules of the scheme. For the year ended 31 December 2007, contributions of the Group under the MPF Scheme amounted to HK$68,000 (2006: HK$36,000).

33. RELATED PARTY TRANSACTIONS

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

Name of company	Nature of transaction	Note	2007 HK$ '000	2006 HK$ '000
Related company				
Changhong (Hong Kong) Trading Ltd	Sale commission	*(i)*	**121**	–
	Purchase of goods	*(i)*	**128**	
	Interest expenses	*(i)*	**61**	
Substantial Shareholder				
Sichuan Changhong Electronic Co., Ltd (“Changhong”)	Sales of goods	*(ii)*	**218,190**	–
	Purchase of goods	*(ii)*	**37,572**	–
Subsidiaries of substantial shareholder				
Guangdong Changhong Electronics Co., Ltd.	Sale commission	*(ii)*	**21**	–
Changhong Electric (Australia) Pty., Ltd	Sales of goods	*(ii)*	**13,603**	–
Guangdong Changhong Electronics Co., Ltd	Sales of goods	*(ii)*	**40,555**	–
Sichuan Changhong Component Technology Co., Ltd	Sales of goods	*(ii)*	**2,456**	–
Sichuan Changhong Network Technologies Co., Ltd	Sales of goods	*(ii)*	**15,927**	–
Guangdong Changhong Electronics Co., Ltd	Purchase of goods	*(ii)*	**10**	
Sichuan Changhong Component Technology Co., Ltd	Purchase of goods	*(ii)*	**6,842**	–
Zhangshan Changhong Electric Co., Ltd	Purchase of goods	*(ii)*	**2,721**	–

(i) Mr. Du Jun and Mr.Yu Xiao, directors of the Company, have beneficial interest in this company.

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

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33. RELATED PARTY TRANSACTIONS *(Continued)*

The Company entered into the Master Supply Agreement and the Master Purchase Agreement with Changhong in respect of the sales and purchase of various electronic products and components on 18 April 2007 and 9 May 2007 respectively. According to these agreements, the relevant electronic products and components to be sold to or purchased from Changhong or any of its subsidiaries for the supply or purchase of the relevant electronic products and components are to be made at prices with reference to the market prices and credit terms subject to normal commercial practices.

Apart from as set out above, the Group had the following transactions with certain related companies during the year ended 31 December 2006 which were not recurring in the year ended 31 December 2007:

– ADI provided support regarding human resources, sales and purchasing, logistics and customer services to Apex Digital Inc. Limited and Apex Digital, LLC for no consideration.

– Apex (Shanghai) provided testing service on repaired goods to Apex Digital Inc. Limited for no consideration

– The Group sold certain goods to ADI free of charge. The costs of the relevant goods was approximately HK$11,000.

(b) COMPENSATION OF KEY MANAGEMENT PERSONNEL

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

	2007	2006
	HK$'000	*HK$'000*
Short-term benefits	**2,766**	1,643
Other long-term benefits	**24**	12
	2,790	1,655

34. CONTINGENT LIABILITIES

On 12 June 2006, Koninkljke Philips Electronics N.V. and United States Philips Corporation issued a writ of summons to the United States District Court, Central District of California, against eight parties, including CDB, ADHK, ADL, David Ji Long Fen, Ancle Hse Ann Keh, Apex Digital Inc (a former substantial shareholder), United Delta Inc and an individual. The defendants were claimed damages for patent infringement for the distribution of unlicensed DVD products within USA.

On 2 August 2007, a settlement has been reached between the plaintiffs and the defendants and the proceedings were dismissed without prejudice. Pursuant to the terms of the settlement, one of the defendants, Apex Digital Inc is to pay a total amount of US$3,280,000 to the plaintiffs by installments. Subsequently, the Group has signed an agreement with Apex Digital Inc (which is wholly-owned by Mr. David Ji, director of the Company) that Apex Digital Inc has agreed to bear all the payments and legal professional fees incurred. Up to the date of this report, Apex Digital Inc has paid the amount of USD1,150,000.

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FOR THE YEAR ENDED 31 DECEMBER 2007

35. SUBSIDIARIES

Particulars of the subsidiaries of the Company as at 31 December 2007 are as follows:

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