长虹佳华
CHANGHONG IT

CHANGHONG JIAHUA HOLDINGS LIMITED

(Formerly known as China Data Broadcasting Holdings Limited 中華數據廣播控股有限公司)
(Incorporated in Bermuda with limited liability)
Stock Code : 8016

ANNUAL REPORT 2015

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

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

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

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This report, for which the directors (the "Directors") of Changhong Jiahua Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this 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 1502, 15/F, West Tower, Shun Tak Centre 168-200 Connaught Road Central Hong Kong
Bermuda principal share registrar and transfer office	Codan Services Limited Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Hong Kong branch share registrar and transfer office	Hong Kong Registrars Limited 1712-1716, Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited China Insurance Group Building 141 Des Voeux Road Central, Sheung Wan Hong Kong
Stock exchange	Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
Stock code	8016
Website	www.changhongit.com.hk
E-mail address	LEE@changhongit.com.hk
Board of Directors	
Executive Directors	Mr. ZHAO Yong Mr. ZHU Jianqiu Mr. YU Xiao Mr. TANG Yun Mr. WU Xiangtao Ms. SHI Ping

CORPORATE INFORMATION

Independent Non-executive Directors	Mr. Jonathan CHAN Ming Sun Mr. Robert IP Chun Chung Mr. SUN Dongfeng Mr. CHENG Yuk Kin
Authorised representatives	Mr. ZHU Jianqiu Mr. LEE Wing Lun CPA (HKICPA & CPA Aust.), ACIS & ACS
Compliance officer	Mr. ZHU Jianqiu
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	Codan Services Limited
Audit Committee	Mr. Jonathan CHAN Ming Sun (Chairman) Mr. Robert IP Chun Chung Mr. SUN Dongfeng Mr. CHENG Yuk Kin
Remuneration Committee	Mr. Jonathan CHAN Ming Sun (Chairman) Mr. ZHU Jianqiu Mr. Robert IP Chun Chung Mr. SUN Dongfeng
Nomination Committee	Mr. ZHAO Yong (Chairman) Mr. Jonathan CHAN Ming Sun Mr. Robert IP Chun Chung Mr. SUN Dongfeng
Auditor	SHINEWING (HK) CPA Limited 43/F, Lee Garden One 33 Hysan Avenue, Causeway Bay Hong Kong

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. ZHAO Yong, aged 53, joined the Company as Executive Director and Chairman in April 2013. Mr. Zhao serves in various positions within the Sichuan Changhong Electronics Group (i.e. Sichuan Changhong Electronics Group Company, Limited and its subsidiaries) and also served as the deputy mayor of Mianyang, Sichuan Province, the People's Republic of China (the "PRC") from June 2001 to June 2004. He holds a Master Degree in Mechanical Engineering and a Doctoral Degree in Engineering and Thermal Dynamics Engineering from Qinghua University in the PRC and has more than 23 years of experience in general management.

Mr. ZHU Jianqiu, aged 54, joined the Company as Executive Director and President in April 2013. Mr. Zhu is responsible for the overall operation and management of the Group (to be defined below). He obtained a Doctoral Degree in Economics from Renmin University and a Bachelor Degree in 1984 from Northeast University in the PRC and has more than 18 years of experience in information technology ("IT") industry management.

Mr. YU Xiao, aged 48, joined the Company as Executive Director and Chairman in November 2006. Mr. Yu still holds the director position and is responsible for overseeing the strategies and directions of the Group. He holds a Bachelor Degree in Economics with major in National Economic Management from Sichuan University in the PRC and has more than 25 years of experience in financial and economic management.

Mr. TANG Yun, aged 51, joined the Company as Executive Director and Managing Director in November 2006 but had been re-designated as the Vice President in 2013. Mr. Tang remains as a director and is the director of Changhong Overseas Development Limited ("CHOD"). Mr. Tang is responsible for the trading business of consumer electronic products and relevant parts and components 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 26 years of experience in engineering and marketing in the consumer electronics industry.

Mr. WU Xiangtao, aged 42, joined the Company as Executive Director and Deputy Managing Director in May 2008. Mr. Wu remains as a Director and is responsible for the strategies of the Group's trading business of consumer electronic products. He holds a Master Degree in Business Administration from Southwestern University of Finance and Economics and a Bachelor Degree in International Trade and Economics from Shandong University in the PRC and obtained a Master Degree in Business Administration from University of Glasgow, United Kingdom ("UK") in 2011. He has more than 19 years of experience in the consumer electronics industry.

Ms. SHI Ping, aged 54, joined the Company as Executive Director in May 2007. Ms. Shi is principally responsible for the investment and business merger of the Group. She obtained a Master Degree in Managerial Economics from Nanyang Technology University in Singapore, a Master Degree in Industrial Management Engineering from Chengdu University of Science and Technology and a Bachelor Degree in Chemical Engineering from Hunan University in the PRC and has more than 30 years experience in economics and engineering management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Jonathan CHAN Ming Sun, aged 44, joined the Company as Independent Non-Executive Director in February 2007. Mr. Chan was appointed as the Chairman of Audit Committee and Remuneration Committee, also the member of Nomination Committee. He is an Associate Director of Go-To-Asia Investment Limited. He has also been acting as the independent non-executive director of following companies, namely Shenyang Public Utility Holdings Company Limited (stock code: 747), Far East Holdings International Limited (stock code: 36), China Dredging Environment Protection Holdings Limited (stock code: 871), Hao Tian Development Group Limited (stock code: 474) and L & A International Holdings Limited (stock code: 8195). 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 CPA, Australia. He has over 17 years of experience in investment and corporate finance.

Mr. Robert IP Chun Chung, aged 60, joined the Company as Independent Non-Executive Director in February 2007. Mr. Ip is the member of Audit Committee, Remuneration Committee and Nomination Committee. He is a practising solicitor in Hong Kong and is a non-executive director of Poly Property Group Co., Limited (stock code: 119). He also holds the position of an independent non-executive director of Value Convergence Holdings Limited (stock code: 821). He obtained the Bachelor Degree in Arts from University of Hong Kong and held a CPE Diploma and Diploma in Law from the College of Law, UK. He is also a member of the Law Society of Hong Kong and the Law Society of England and Wales. He has over 34 years of experience in legal aspects.

Mr. SUN Dongfeng, aged 48, joined the Company as Independent Non-Executive Director in February 2007. Mr. Sun is the member of Audit Committee, Remuneration Committee and Nomination Committee. He is a senior partner of Guantao Law Firm as well as a legal advisor for a number of companies. He graduated from China University of Political Science and Law in the PRC, and obtained a Master Degree of Law in International Economics from the School of Law of University of Canberra, Australia. He has over 23 years of experience in legal aspects.

Mr. CHENG Yuk Kin, aged 41, joined the Company as Independent Non-Executive Director in November 2012. Mr. Cheng is a member of Audit Committee. He is an executive director of Ivory Capital Private Limited and is an independent non-executive director of On Real International Holdings Limited (stock code: 8245). He obtained his Bachelor Degree of Business Administration in Finance from Hong Kong University of Science and Technology and obtained a Master Degree of Business Administration from the George Washington University School of Business in United States of America ("USA"). He is also a member of American Institute of Certified Public Accountants. He has over 18 years of experience in corporate finance and audit.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. LEE Wing Lun, aged 57, is the Qualified Accountant and Secretary of the Company and is responsible for the financial and accounting management and secretarial affairs of the Company. Also Mr. Lee is an independent non-executive director of Vinco Financial Group Limited (stock code: 8340). He graduated from Australian National University with a Bachelor Degree in Commerce and obtained a Master Degree of Corporate Governance and Postgraduate Diploma in Corporate Administration from Polytechnic University of Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants, the CPA Australia, the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. He has over 21 years of working experience in auditing, accounting and finance matters including over 6 years in several audit firms and has been the financial controller of a trading group.

Mr. ZHAO Qilin, aged 41, is the Financial Controller of the Company and is responsible for the financial and accounting management and internal control of the Group. He holds a Bachelor Degree in Economics from Southwestern University of Finance and Economics in the PRC and has more than 9 years of experience in accounting and financial management.

Ms. SU Huiqing, aged 47, is the Vice President of the Company and Changhong IT Information Products Company, Limited ("Changhong IT") and is responsible for the management of human resources, operation and administrative of the Group. She holds a Bachelor Degree in Automation from Shanghai Jiaotong University and has more than 24 years of experience in business development in the IT industry.

Mr. DONG Qiang, aged 43, is the Vice President of the Company and Changhong IT, and is responsible for Group's IT consumer products distribution business. He holds a Bachelor Degree in Electric Automatization from Hebei Polytechnic University and has more than 18 years of experience in business development in the IT industry. On 23 March 2016, Mr. Dong Qiang tendered his resignation with effective on 31 March 2016.

Mr. RONG Dong, aged 39, joined the Company as Executive Director and Assistant to Managing Director in June 2010 and has been re-designated as the Assistant to President with effective on April 2013. Mr. Rong is responsible to assist the President the management of the IT product distribution business in Southeast Asia and Hong Kong and other business of the Group. He obtained a Master Degree of Business Administration in Industrial Management from Sheffield Hallam University in UK and Diploma in Economics and Trade English from Hunan Institute of Engineering in the PRC and has more than 17 years experience in operation management.

CHAIRMAN'S STATEMENT

Dear Shareholders,

In 2015, business growth of the Company and its subsidiaries (collectively, the "Group") slowed down as a result of the slow recovery of the global economy and the unstable regional economic and political environment.

FINANCIAL SUMMARY

- Revenue for the year ended 31 December 2015 was approximately HK$19,839.11 million (exclude discontinued operation, 2014: HK$17,558.79 million), representing an increase of 12.99% as compared with previous year. This increase was mainly attributable to the improvements in revenue generated by the Group's IT consumer distribution business and other business.

- Profit for the year ended 31 December 2015 was approximately HK$131.75 million (2014: HK$193.30 million) and total comprehensive income for the year ended 31 December 2015 was approximately HK$56.95 million (2014: HK$185.79 million). These decreases were mainly attributable to the loss incurred from the discontinuation of CHOD during the year ended 31 December 2015.

BUSINESS REVIEW

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

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

CHAIRMAN'S STATEMENT

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

The Company has four different business segments which attributed to the financial results of the Group in 2015, namely, (i) IT consumer products distribution business; (ii) IT corporate products distribution business; (iii) consumer electronic products business and (iv) other business, details of which are set out below and in Notes 9 and 14 to the consolidated financial statements.

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

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

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

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

CHAIRMAN'S STATEMENT

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

CHAIRMAN'S STATEMENT

EMPLOYMENT AND REMUNERATION POLICY

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

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

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

CAPITAL STRUCTURE

The Group manages its capital structure to ensure optimal structure and shareholder returns, and uses its capital to promote its business development and ultimately increasing revenue and margins in the IT consumer and corporate distribution business. Further capital may be used to increase its business diversification.

Capital of the Group comprises all components of equity, cash and bank balances and loans from major shareholders/related companies.

Loans from major shareholders/related companies are mainly for the purpose to support the daily operations of the Group.

SIGNIFICANT INVESTMENTS AND ACQUISITION

During the year ended 31 December 2015, the Company did not have any other significant investments or acquisitions.

Establishment of a limited partnership

In order to participate in and benefit from the development of new intellectual technology areas in China, Changhong IT Digital Technology Co., Ltd. (an indirect wholly-owned subsidiary of the Company) ("Changhong IT Digital"), together with, among others, Sichuan Changhong Electric Co., Limited (the controlling shareholder of the Company) entered into a partnership agreement on 11 April 2015 (the "Partnership Agreement"). Pursuant to the Partnership Agreement, Changhong IT Digital agreed to contribute RMB27.5 million and own 11.00% equity interests as a limited partner upon the establishment of this limited partnership. The scope of investment of this limited partnership is primarily focus on enterprises with high growth potential who are engaging in new intellectual technology areas including, among others, the development of smart terminal technology enhancing hardware and software, innovative smart terminal equipment, cloud computing and big data technology. As at the date of this annual report, this limited partnership has been established. For further details in relation to the establishment of this limited partnership, please refer to the announcement of the Company dated 11 August 2015.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCES OF FUNDING

The Group will continue to consolidate its existing businesses and the IT distribution business while exploring new business opportunities that would enhance its businesses. No concrete plan for future investments is in place as at the date of this report.

CONTINGENT LIABILITIES

As at 31 December 2015, the Group did not have any material contingent liabilities.

OUTLOOK

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

CHAIRMAN'S STATEMENT

POSSIBLE RISKS AND UNCERTAINTIES FACING THE COMPANY

The Group's financial conditions, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The following are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties which are not known to the Group or which may not be material now but could turn out to be material in the future.

Business Risk

The business of the Group is highly dependent on the overall financial condition of the PRC and is affected by seasonality factors. Any market downturn in China generally may adversely affect the Group's business, results of operations and financial position. Also, the Group's business relies highly on a small number of key suppliers and products. Any failure to maintain a good relationship with the suppliers may adversely affect the Group's revenue and profitability as a whole.

Further, in the course of its business, the Group also faces inventory risks if stock levels are not properly monitored and managed, or in the event of any failure to predict sales accurately.

Foreign Currency Risk

The Group primarily operates its business in the PRC. The currency in which the Group denominates and settles substantially all of its transactions is Renminbi. Any depreciation of Renminbi would adversely affect the value of any dividends the Group pay to shareholders outside of the PRC. The Group will continue to monitor foreign exchange changes to best preserve the Group's cash value.

ZHAO Yong
Chairman

30 March 2016

CORPORATE GOVERNANCE REPORT

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

Code Provision A.4.3

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

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

CORPORATE GOVERNANCE REPORT

Code provision E.1.2

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

COMMUNICATION WITH SHAREHOLDERS

The Company made substantial efforts to enhance communications with its shareholders, and the Board tries to fully address any questions raised by shareholders.

The Company has established a shareholders' communication policy and will review it on a regular basis to ensure its effectiveness. The Company published on its own website the procedures for shareholders to propose candidates for election as Director. Shareholders may send their enquiries requiring the Board's attention to the Company's secretary at the Company's registered address. Questions about the procedures for convening or putting forward proposals at an annual general meeting or special general meeting may also be put to the Company secretary by the same means. The Board members meet and communicate with shareholders and investors at annual general meetings and other general meetings. Corporate communications (such as quarterly, interim and annual reports, notices, circulars and announcements) are sent to shareholders in a timely manner and are available on the websites of the Company and the Stock Exchange.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Propose a Person for Election as a Director and Convene a Special General Meeting

According to Bye-law 85 of the Company's Bye-laws, a shareholder of the Company (other than the person to be proposed) duly qualified to attend and vote at an annual general meeting of the Company may propose a person for election as a director at such meeting by lodging a notice in writing signed by such shareholder of his intention to propose such person for election and a notice in writing signed by the person to be proposed of his willingness to be elected at the head office of the Company or the office of the Hong Kong branch share registrar of the Company provided that the minimum length of the period, during which such notices are given, shall be at least seven days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgement of such notices shall commence on the day after the despatch of the notice of the meeting appointed for such election and end no later than seven days prior to the date of such meeting.

Other than election at annual general meetings, pursuant to Bye-law 58 of the Company's Bye-laws, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition, including election of directors, and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists, themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

BOARD OF DIRECTORS AND BOARD MEETINGS

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

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

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

Executive Directors

Mr. ZHAO Yong
Mr. ZHU Jianqiu
Mr. YU Xiao
Mr. TANG Yun
Mr. WU Xiangtao
Ms. SHI Ping

Independent Non-Executive Directors

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

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

The Company has arranged appropriate insurance company for directors' and officers' liabilities and the terms of such insurance will be reviewed annually.

CORPORATE GOVERNANCE REPORT

The Company and its Directors (including independent non-executive Directors) entered into a fixed term service contract which is renewable automatically per annum. All directors are subject to retirement by rotation and be eligible to offer for re-election at forthcoming annual general meeting. The Company has also received acknowledgements from Directors of their responsibility for preparing the financial statements and a representation by the auditors in relation to their reporting responsibilities.

The Directors possess the relevant experience and qualifications and have exercised due care to handle the significant matters of the Group.

Board meetings are held at least once a quarter and during any given financial year when necessary. During the year under review, the Board met on 14 occasions and the details of the attendance of the directors at the respective meetings were as follows:

Name of Directors	Annual general meeting/ Special general meeting	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting
Executive Director					
Mr. ZHAO Yong	0/2	1/14	N/A	0/0	N/A
Mr. ZHU Jianqiu	2/2	13/14	N/A	N/A	0/0
Mr. YU Xiao	2/2	6/14	N/A	N/A	N/A
Mr. TANG Yun	2/2	9/14	N/A	N/A	N/A
Mr. WU Xiangtao	2/2	12/14	N/A	N/A	N/A
Ms. SHI Ping	2/2	12/14	N/A	N/A	N/A
Independent Non-Executive Director					
Mr. Jonathan CHAN Ming Sun	2/2	12/14	5/5	0/0	0/0
Mr. Robert IP Chun Chung	2/2	12/14	5/5	0/0	0/0
Mr. SUN Dongfeng	2/2	11/14	3/5	0/0	0/0
Mr. CHENG Yuk Kin	2/2	11/14	5/5	N/A	N/A

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

The chairman of the Board invited the chairman of the Audit Committee, Remuneration Committee, Nomination Committee or their delegates to attend the annual general meeting and to response any enquires at the annual general meeting.

TRAINING

As part of an ongoing process of directors' training, the Directors are updated with latest developments regarding the Listing Rules and other applicable regulatory requirements from time to time to ensure compliance of the same by all directors. All Directors are encouraged to attend external forum or training courses on relevant topics which may count towards continuous professional development training.

Pursuant to Code Provision A.6.5 of CG Code and Report, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Up to the date of this report, all Directors have participated in appropriate continuous professional development activities by attending training course on the topics related to corporate governance and regulations which provided by a hired law firm/regulatory authorities or by reading materials relevant to the Company's business or to their duties and responsibilities. The training requirements for the Company's secretary according to Rule 5.15 of the GEM Listing Rules has been complied with for the year ended 31 December 2015.

As part of the continuous professional development programme, directors participated in the various briefings as arranged and funded by the Company with appropriate emphasis on the roles, functions and duties of the directors. This is in addition to directors' attendance of meetings and review of papers and circulars sent by management. The participation by individual directors and the company secretary in the programme held during the year of 2015 is recorded in the table below.

	Reading regulatory updates	**Training courses provided by hired law firm/ regulatory authorities**
Executive Directors		
Mr. ZHAO Yong	✓	✓
Mr. ZHU Jianqiu	✓	✓
Mr. YU Xiao	✓	✓
Mr. TANG Yun	✓	✓
Mr. WU Xiangtao	✓	✓
Ms. SHI Ping	✓	✓
Independent Non-executive Directors		
Mr. Jonathan CHAN Ming Sun	✓	✓
Mr. Robert IP Chun Chung	✓	✓
Mr. SUN Dongfeng	✓	✓
Mr. CHENG Yuk Kin	✓	✓
Company Secretary		
Mr. LEE Wing Lun	✓	✓

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE

The Code Provision A.2.1 stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual.

During the year, Mr. ZHAO Yong was appointed as chairman and Mr. ZHU Jianqiu was appointed as president.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors is appointed for a twelve month term, which is renewable automatically with a fixed amount of remuneration per annum. Mr. Jonathan CHAN Ming Sun, Mr. Robert IP Chun Chung and Mr. SUN Dongfeng have served the Group for more than nine years. Pursuant to Code Provision A.4.3, their further appointments should be subject to separate resolutions to be approved by the shareholders of the Company. Details of the relevant code provision and the re-election of Mr. Jonathan CHAN Ming Sun, Mr. Robert IP Chun Chung and Mr. SUN Dongfeng as independent non-executive Directors are set out on the page 14 of this report.

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

BOARD COMMITTEES

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

AUDIT COMMITTEE

Membership

The members of the Audit Committee are Mr. Jonathan CHAN Ming Sun (Chairman), Mr. Robert IP Chun Chung, Mr. SUN Dongfeng and Mr. CHENG Yuk Kin. All members have several years of experience and appropriate professional qualifications to fulfill their duties.

Responsibilities

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

During the year ended 31 December 2015, the Audit Committee mainly performed the following duties:

– reviewed the Group's unaudited quarterly and interim results for the period ended 31 March 2015, 30 June 2015 and 30 September 2015 and the audited annual results for the year ended 31 December 2015, met with the external auditors to discuss such quarterly, interim and annual results without the presence of the Company's management, and was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made;

– reviewed the continuing connected transactions of the Group;

– reviewed the accounting principles and practices adopted by the Group, and recommended the appointment of the external auditors;

– assisted the Board in meeting its responsibilities for maintaining an effective system of internal control and risk management; and

– assessed the impact on the Group in respect of the Incident of the misappropriation of assets of CHOD with reference to a report prepared by an independent accountant.

During the year under review, the Audit Committee held five meetings and the details of attendance was set out on page 17 of the report. The annual results for the year ended 31 December 2015 was reviewed by the Audit Committee.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

Membership

The members of the Remuneration Committee are Mr. Jonathan CHAN Ming Sun (Chairman), Mr. ZHU Jianqiu, Mr. Robert IP Chun Chung and Mr. SUN Dongfeng. Majority of members are independent non-executive directors.

Responsibilities

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

During the year ended 31 December 2015, the Remuneration Committee mainly performed the following duties:

– reviewed the Group's remuneration policy and reviewed the remuneration package of the executive Directors and senior management for the year of 2015.

During the year, the Remuneration Committee did not hold any meeting and the details of attendance was set out on page 17 of the report.

NOMINATION COMMITTEE

Membership

The members of Nomination Committee are Mr. ZHAO Yong (Chairman), Mr. Jonathan CHAN Ming Sun, Mr. Robert IP Chun Chung and Mr. SUN Dongfeng. Majority of members are independent non-executive directors.

Nomination Procedure

Selection of board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience.

The Board has also adopted a board diversity policy. The purpose of board diversity policy is to set out the basic principles to be followed to ensure that the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance.

Responsibilities

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

During the year ended 31 December 2015, the Nomination Committee mainly performed the following duties:

– assessed the suitabilities of any candidate as a director, reviewed and recommended the appointment of any candidate;

– reviewed the annual confirmation of independence submitted by the independent non-executive Directors and assessed their independence; and

– reviewed the structure, size and composition of the Board during the year of 2015.

The Board has the authority to determine the appointment while the Nomination Committee acted as advisor. During the year, the Nomination Committee did not hold any meeting and the details of attendance was set out on page 17 of the report.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code. During the year ended 31 December 2015, the Board regularly reviewed the Company's corporate governance policies and practices, training and continuous professional development of the Directors and the senior management of the Group, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the Corporate Governance Code and disclosure in this Corporate Governance Report.

REMUNERATION, APPOINTMENT AND ROTATION OF DIRECTORS

The remuneration of senior management consists of performance-linked monthly salary and performance-linked annual bonus. The performance-linked annual bonus is tied to the attainment of key performance indicators or targets. The remuneration of executive director is based on the Company's financial position in a fixed sum. The remuneration of independent non-executive director is determined by the Board according to the prevailing market conditions and the workload.

CORPORATE GOVERNANCE REPORT

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

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

MANAGEMENT AND EMPLOYEES

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

Senior management emoluments for the year ended 31 December 2015

	Salaries and Allowances	**Retirement benefits scheme contributions**	**Performance related incentive payments**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Lee Wing Lun	577	18	62	657
Ms. Su Huiqing	560	82	4,166	4,808
Mr. Dong Qiang *(Note 1)*	462	76	1,826	2,364
Mr. Rong Dong	509	18	–	527
Mr. Zhao Qilin	554	18	316	888
	2,756	212	6,276	9,244

Note:

(1) On 23 March 2016, Mr. Dong Qiang tendered his resignation with effective on 31 March 2016.

EXTERNAL AUDITOR

The Company engaged SHINEWING (HK) CPA Limited ("SHINEWING") as auditor of the Company. During the year, the services provided by SHINEWING included the audit of consolidated financial statements of the Group and financial statements of its subsidiaries.

The remuneration of the audit service rendered by the auditor of the Group was mutually agreed in view of the scope of services in the total amount of HK$1,730,000 and the fee paid for other assurance services for the year amounted to HK$220,000.

SHINEWING, as the external auditor attended the annual general meeting of the Company during the year 2015 to respond to any enquiries about the conduct of the audit, the preparation and content of the independent auditor's report and auditor's independence.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board conducts regular reviews on the effectiveness of the risk management and internal control systems to ensure that the operation of the Company is legal, the assets of the Company are safeguarded and the accuracy and reliability of the financial information that the Company relies on for the operation of its business or for the release to the public. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material mistatement or loss. The management is responsible for establishing and maintaining the risk management and internal control systems for financial reporting. The Company has established a stringent internal control system for financial reporting to eliminate the risks of misstatement, omission and fraud in financial reporting. Meanwhile, with reference to external regulatory requirements, the Company's business development and the internal management procedures, the Company has reviewed the effectiveness of the internal control system for business strategy, finance, operations, marketing, legal compliance and other areas. The Company also considered to establish a comprehensive risk management system which integrates internal control and risk management system for the control of business operations with high risks. The Company also conducted assessment on its internal control system on an annual basis. The management believes that the internal control and financial reporting system was effective and provided reliable financial data in the preparation of financial statements in accordance with generally accepted accounting principles.

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

CORPORATE GOVERNANCE REPORT

CONTINUOUS EVOLVEMENT OF CORPORATE GOVERNANCE

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

CORPORATE SOCIAL RESPONSIBILITY

The Group focuses on the sustainable development of coordination among the business, the society and the environment. In the pursuit of economic efficiency and business development, the Group consciously incorporate social responsibility into our business strategy for an honest and compliance operation, and actively fulfill our social responsibilities and obligations, to achieve the healthy and harmonious developments between the Company and our staff, the Company and the society and the Company and the environment, as well as continuing to create value for shareholders.

The Core Business Philosophy

The Group positions itself as a new IT integrated service company, with "Pragmatism, different accommodation, constant development" as the business core and "to bring value to make good partners" as the business philosophy, to provide efficient and professional help and support to the world's leading IT companies, the local channel partners and our customer.

Product and Services

In terms of the business, based on the distribution of its products and relying on its own technology, resource integration and service capabilities, the Group built a platform of application level. The Group organically integrated its product into a variety of technology and industry solutions, while providing technical support, consulting, training, qualification certification, and other value-added services.

In terms of the consumers, through maintaining a stable and long-term cooperation with manufacturers and core agents and fully ensuring the interests of all parties in the supply chain, the Group formed a good distribution system. Meanwhile, the Group provided a good service guarantee, relying on the efficient operating platform and logistics system.

In terms of the Group's brand LBS, the Group focuses on the telematics services provider ("TSP") (ie. automobile online service) of the automotive electronics industry and the modern information service product and application of home Internet of Thing. The Group has integrated solutions which include intelligent traffic systems, elderly care service systems and other LBS platforms and provide business to business ("B2B") customized services to enterprise and corporate clients.

Cultivating Talents

The Group strives to provide a good growing environment for employees, to achieve the win-win situation for the employee development and the development of the company. In 2015, the Group launched H-PTCP (High Potential Talent Cultivation Program), seeking to realize the staff development and the training and upgrading of professional teams through the system evaluation and capacity assessment. The Group set up the education and training fund to provide more personalized and targeted training solutions for our employees. The Group also made full use of internal resource, to organize various forms of training activities for its staff. In 2015, the Group hired 28 employees as the internal trainers to organize all kinds of internal training programs on corporate culture, career planning, sales management, financial, legal and other aspects. There were 48 training sessions and 1,600 employees participating in the training. With fragmented approach for training, the Group converted the face-to-face training programs into a variety of knowledge points and spread them through the mobile platform for quick learning for its staff.

Employee Care

The Group is people-oriented, strives to provide caring welfare and care for their employees. In addition to statutory benefits, the Group set up a number of characteristic benefits, including free annual physical examination, special subsidy funds for severe illness, travel accident insurance for the staff and other benefits. The Group also organized a variety of services and activities, to care for the employees' health, enrich the employees' amateur life, improve the cohesion of our teams, including the Chinese medicine treatments within the office, birthday parties, weekend leisure activities, financial literacy seminars and annual carnival show.

Environment Protection and Public Service

The Group actively implements the concept of environmental protection and conservation. The Group regularly detects and improves the air quality of the office area, with an objective to build a healthy and clean office environment. It also established the awareness of "energy saving and cherishing resources" with its staffs and promotes paperless office software, the secondary use of printing paper and send holiday e-cards to reduce the paper consumption and exhaust emissions. The Group regularly conduct fire knowledge publicity and held fire drills and post security alarm tips, in order to enhance the safety and environmental awareness for our employees. The Group is also enthusiastic about public welfare. In June 2015, the Group held a public welfare activity with the theme of "Hiking for love and making children happy with book", where the mileages of participants would be converted into books and the books would be donated to primary school students in poor mountainous areas.

REPORT OF THE DIRECTORS

The Directors present their report together with the audited financial statements of the Company and the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in Note 40 to the consolidated financial statements.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion of the Group's future business development and a description of possible risks and uncertainties facing the Company are set out in the Chairman's Statement on pages 8 to 10 of this annual report. An analysis of the Group's performance during the year using financial key performance indicators is set out in the Group's Five-year Financial Summary on pages 28 to 29 of this annual report.

ENVIRONMENTAL PROTECTION AND COMPLIANCE WITH LAWS AND REGULATIONS

The Group is committed to supporting the environmental sustainability. During the year under review, the Group was subject to various laws and regulations set by the PRC national, provincial and municipal governments relevant to the Group's business operation, including《中華人民共和國公司法》(The Company Law of the Peoples Republic of China),《中華人民共和國合同法》(Contract Law of the People's Republic of China) and《中華人民共和國勞動合同法》(Labor Contract Law of the People's Republic of China). Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations. During the year under review, the Group has complied with relevant laws and regulations that have significant impact on the operations of the Group. Further, any changes in applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

RESULTS AND APPROPRIATIONS

The Group's profit for the year ended 31 December 2015 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 43 to 128.

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

FIVE-YEAR SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and the assets and liabilities of the Group for the last five financial years is as follows:

Results

	Year ended 31 December				
	2015	2014	2013	2012	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Represented)			
Revenue	**19,839,112**	17,558,794	18,343,541	14,928,822	2,724,330
Cost of sales	**(19,030,068)**	(16,796,745)	(17,566,550)	(14,322,736)	(2,680,539)
Gross profit	**809,044**	762,049	776,991	606,086	43,791
Other income	**23,555**	27,166	35,634	18,612	226
Distribution and selling expenses	**(335,515)**	(300,995)	(306,246)	(231,991)	(8,451)
Administrative expenses	**(174,334)**	(148,460)	(141,894)	(91,548)	(15,662)
Finance costs	**(52,428)**	(62,302)	(108,314)	(60,855)	(6,449)
Profit before tax	**270,322**	277,458	256,171	240,304	13,455
Income tax expenses	**(71,605)**	(80,352)	(58,673)	(67,264)	(2,984)
Loss for the year from discontinued operation	**(66,968)**	(3,810)	–	–	–
Profit for the year	**131,749**	193,296	197,498	173,040	10,471
Profit for the year attributed to:					
Owner of the Company	**131,749**	185,110	178,090	154,728	10,471
Non-controlling interests	**–**	8,186	19,408	18,312	–
	131,749	193,296	197,498	173,040	10,471

REPORT OF THE DIRECTORS

	Year ended 31 December				
	2015	2014	2013	2012	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Represented)			
Profit for the year	**131,749**	193,296	197,498	173,040	10,471
Other comprehensive (expense) income					
Items that may be reclassified subsequently to profit					
Exchange difference arising from translation of foreign operations	**(74,801)**	(7,510)	19,901	29,960	–
Other comprehensive (expense) income for the year	**(74,801)**	(7,510)	19,901	29,960	10,471
Total comprehensive (expense) income for the year	**56,948**	185,786	217,399	203,000	10,471
Total comprehensive income attributable to:					
Owners of the Company	**56,948**	177,965	196,001	181,692	10,471
Non-controlling interests	**–**	7,821	21,398	21,308	–
	56,948	185,786	217,399	203,000	10,471

Assets and Liabilities

	31 December				
	2015	2014	2013	2012	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**4,176,364**	4,504,684	4,453,309	4,521,963	516,615
Total liabilities	**(2,902,143)**	(3,236,001)	(3,370,412)	(3,656,465)	(468,524)
Total equity	**1,274,221**	1,268,683	1,082,897	865,498	48,091

PLANT AND EQUIPMENT

Details of movements in the plant and equipment of the Group during the year are set out in Note 18 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons thereof, are set out in Notes 31 and 32 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

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

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

PUBLIC FLOAT

Based on the information publicly available to the Company and to the best knowledge of the Directors, throughout the year ended 31 December 2015 and as at the latest practicable date prior to the issue of this report, the Company maintained a sufficient public float of more than 25% in the issued share capital of the Company pursuant to the GEM Listing Rules.

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 2015, the Company has several reserve accounts available for distribution, in the amount of approximately HK$605.39 million, which may be distributed in the form of fully paid bonus shares.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 20.35% of the total sales for the year and sales to the largest customer included therein amounted to approximately 8.83%. Purchases from the Group's five largest suppliers accounted for approximately 71.19% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 26.6%.

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

PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of consolidated financial statements of the Group for the year ended 31 December 2015.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr. ZHAO Yong
Mr. ZHU Jianqiu
Mr. YU Xiao
Mr. TANG Yun
Mr. WU Xiangtao
Ms. SHI Ping

Independent non-executive directors:

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

In accordance with clause 86 of the Company's Bye-laws, Mr. Jonathan CHAN Ming Sun, Mr. Robert IP Chun Chung, Mr. CHENG Yuk Kin and Mr. SUN Dongfeng will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical Details of the Directors and the senior management of the Group are set out on page 5 to 7 of the annual report.

DIRECTORS' SERVICE CONTRACTS

All Directors (including directors proposed for re-election at the forthcoming annual general meeting) entered into a fixed term service contract with the Company which is renewable automatically per annum.

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

INDEMNITY AND INSURANCE PROVISIONS

The Bye-laws of the Company provides that every Director shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty. Such provisions were in force during the course of the financial year ended 31 December 2015 and remained in force as of the date of this report. The Company has also arranged appropriate directors and officers liability insurance in respect of legal action against Directors.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year under review.

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.

REPORT OF THE DIRECTORS

INTERESTS OF THE DIRECTORS IN THE COMPANY

As at 31 December 2015, the interests or short positions of the Directors and chief executives of the Company in the ordinary shares of the Company (the "Shares"), underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

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

Note:

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

Save as disclosed in this paragraph, as at 31 December 2015, none of the Directors or chief executives of the Company had interests in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS IN THE COMPANY

So far as was known to the Directors, as at 31 December 2015, the persons or companies (not being a Director or chief executive of the Company) whose interests in the Shares or underlying Shares or debentures of the Company which would fall to be disclosed or were notified to the Company and the Stock Exchange pursuant to the positions under Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO or who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

Long positions in Shares

Name of substantial shareholder	Capacity	Class of shares	Number of shares held	Approximate percentage of interest in relevant class of shares *(Note a)* %
Sichuan Changhong Electric Co, Limited ("Sichuan Changhong")	Interest of controlled corporation and beneficial owner	Ordinary Preference	1,008,368,000 (L) *(Note b)* 1,115,868,000 (L) *(Note c)*	69.32 100.00
Changhong (Hong Kong) Trading Limited	Interest of controlled corporation and beneficial owner	Ordinary Preference	913,000,000 (L) *(Note d)* 1,115,868,000 (L) *(Note c)*	62.76 100.00
Fit Generation Holding Limited	Beneficial owner	Ordinary Preference	897,000,000 (L) 1,115,868,000 (L)	61.66 100.00
Sichuan Investment Management Company Limited *(Note e)*	Beneficial owner	Ordinary	83,009,340 (L)	5.70
Typical Faith Limited *(Note f)*	Beneficial owner	Ordinary	82,415,762 (L)	5.67

REPORT OF THE DIRECTORS

Notes:

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

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

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

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

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

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

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

DIRECTOR'S INTEREST IN A COMPETING BUSINESS

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

Save as disclosed in this paragraph, none of the Directors or the substantial shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete with the business of the Group during the period under review.

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

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

INVESTOR RELATIONS

Constitutional documents

There has been no significant change in the Company's constitutional documents during the year ended 31 December 2015.

CONTINUING CONNECTED TRANSACTIONS

During the year 2015, the following continuing connected transactions were carried out by the Group.

(a) Master Supply Agreement

On 7 December 2012, the Company entered into framework agreement ("Master Supply Agreement") with Sichuan Changhong, our controlling shareholder, in relation to the supply of electronic products and components to Sichuan Changhong and its subsidiaries. For the year ended 31 December 2015, the transactions amount under the Master Supply Agreement is subject to a cap of HK$2,943.00 million (2014: HK$2,675.00 million). The transactions under the Master Supply Agreement are subject to reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

For the year ended 31 December 2015, the sale made under the Master Supply Agreement amounted to HK$91.70 million (2014: HK$43.76 million) in total. The Master Supply Agreement expired at the end of this year.

(b) Master Purchase Agreement

On 7 December 2012, the Company entered into framework agreement ("Master Purchase Agreement") with Sichuan Changhong, our controlling shareholder, in relation to the supply of electronic products and components to Sichuan Changhong and its subsidiaries. For the year ended 31 December 2015, the transactions amount under the Master Purchase Agreement is subject to a cap of HK$1,354.00 million (2014: HK$1,231.00 million). The transactions under the Master Purchase Agreement are subject to reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

REPORT OF THE DIRECTORS

For the year ended 31 December 2015, the purchase made under the Master Purchase Agreement amounted to nil (2014: HK$19.68 million) in total. The Master Purchase Agreement expired at the end of this year.

(c) Financial Services Agreement

On 26 March 2015, CHIT (a subsidiary of the Company) entered into Financial Services Agreement with Sichuan Changhong Group Finance Company, Limited ("Changhong Finance"), pursuant to which Changhong Finance agreed to provide financial services including (1) deposit services; (2) loan services; and (3) settlement services (collectively, the "Financial Services") to CHIT.

The Financial Services Agreement has a fixed term from 26 March 2015 and ending on 31 December 2017 (both dates inclusive).

Changhong Finance is a company owned as to 50% by Sichuan Changhong, the controlling shareholder of the Company and 50% by Sichuan Changhong Electric, a company which holds approximately 23.19% of the equity interest of Sichuan Changhong. Accordingly, Changhong Finance is an associate of a connected person of the Company for the purpose of Chapter 20 of the GEM Listing Rules, and accordingly the transactions contemplated under the Financial Services Agreement constitute continuing connected transactions of the Company for the purpose of the GEM Listing Rules.

For the year ended 31 December 2015, the Financial Services were subject to annual caps as follow:

	Deposit service – Maximum daily outstanding balance of deposits to be deposited by CHIT with Changhong Finance *(RMB'000 per day)*	**Loan service – Maximum daily outstanding balance of loans to be granted by Changhong Finance to CHIT** *(RMB'000)*	**Settlement service – Maximum service fees for the settlement services to be provided by Changhong Finance to CHIT** *(RMB'000)*
Annual cap for the year ended 31 December 2015	500,000	500,000	5,000

For the year ended 31 December 2015, the actual transaction amount for each of the Financial Services are as follow:

	Deposit service – Maximum daily outstanding balance of deposits to be deposited by CHIT with Changhong Finance *(RMB'000 per day)*	**Loan service – Maximum daily outstanding balance of loans to be granted by Changhong Finance to CHIT** *(RMB'000)*	**Settlement service – Maximum service fees for the settlement services to be provided by Changhong Finance to CHIT** *(RMB'000)*
Actual transaction amount for the year ended 31 December 2015	230,000	200,024	–

Confirmation of Independent Non-executive Directors

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

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

(ii) on terms not less favorable to the Group than terms available to or from (as appropriate) independent third parties; and

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

REPORT OF THE DIRECTORS

Confirmation from Auditor of the Company

The Board has received a confirmation from the auditor of the Company with respect to the above continuing connected transactions and the letter stated that for the year 2015, the above continuing connected transactions:

(i) have been approved by the Board;

(ii) have been entered into in accordance with the pricing policies of the Company;

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

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

AUDITOR

The financial statements of the Group for the year ended 31 December 2015 were audited by Messrs. SHINEWING who shall retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

For and on behalf of the Board

ZHAO Yong
Chairman

Hong Kong
30 March 2016

INDEPENDENT AUDITOR'S REPORT

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

TO THE SHAREHOLDERS OF
CHANGHONG JIAHUA HOLDINGS LIMITED
長虹佳華控股有限公司
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Changhong Jiahua Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 43 to 128, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

INDEPENDENT AUDITOR'S REPORT

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

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

BASIS FOR QUALIFIED OPINION

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

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

INDEPENDENT AUDITOR'S REPORT

QUALIFIED OPINION

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

SHINEWING (HK) CPA Limited
Certified Public Accountants
Chan Wing Kit
Practising Certificate Number: P03224

Hong Kong
30 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	NOTES	**2015** **HK$'000**	2014 HK$'000 (Represented)
Continuing operations			
Revenue	7	**19,839,112**	17,558,794
Cost of sales		**(19,030,068)**	(16,796,745)
Gross profit		**809,044**	762,049
Other income	8	**23,555**	27,166
Distribution and selling expenses		**(335,515)**	(300,995)
Administrative expenses		**(174,334)**	(148,460)
Finance costs	10	**(52,428)**	(62,302)
Profit before tax		**270,322**	277,458
Income tax expenses	12	**(71,605)**	(80,352)
Profit for the year from continuing operations	15	**198,717**	197,106
Discontinued operation			
Loss for the year from discontinued operation	14	**(66,968)**	(3,810)
Profit for the year		**131,749**	193,296

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	NOTE	2015 HK$'000	2014 HK$'000 (Represented)
Profit/loss for the year attributable to owners of the Company:			
– from continuing operations		**198,717**	188,920
– from discontinued operation		**(66,968)**	(3,810)
Profit for the year attributable to owners of the Company		**131,749**	185,110
Profit for the year attributable to non-controlling interest:			
– from continuing operations		**–**	8,186
– from discontinued operation		**–**	–
Profit for the year attributable to non-controlling interest		**–**	8,186
		131,749	193,296
Earnings per share	*17*		
From continuing and discontinued operations			
Basic and Diluted *(HK cents)*		**5.13**	7.48
From continuing operations			
Basic and Diluted *(HK cents)*		**7.73**	7.63

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	NOTES	2015 HK$'000	2014 HK$'000
Non-current assets			
Plant and equipment	18	**25,287**	25,154
Available-for-sale investment	19	**9,849**	–
		35,136	25,154
Current assets			
Inventories	20	**1,613,065**	1,542,822
Trade and bills receivables	21	**1,465,233**	2,070,943
Trade deposits paid	22	**775,599**	342,141
Prepayments, deposits and other receivables	23	**26,565**	69,324
Tax recoverable		**–**	965
Pledged bank deposits	24	**107,646**	241,131
Bank balances and cash	24	**150,970**	212,204
		4,139,078	4,479,530
Assets classified as discontinued operation	14	**2,150**	–
		4,141,228	4,479,530
Current liabilities			
Trade and bills payables	25	**1,995,326**	2,009,424
Other payables	26	**161,285**	153,172
Customer deposits	27	**193,621**	154,965
Amount due to ultimate holding company	28	**–**	2,767
Tax payables		**7,460**	37,714
Borrowings	29	**524,925**	868,500
		2,882,617	3,226,542
Liabilities associated with assets classified as discontinued operation	14	**14,801**	–
		2,897,418	3,226,542
Net current assets		**1,243,810**	1,252,988
Total assets less current liabilities		**1,278,946**	1,278,142

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	NOTES	2015 HK$'000	2014 HK$'000
Non-current liability			
Deferred income	30	**4,725**	9,459
Net Assets		**1,274,221**	1,268,683
Capital and Reserves			
Share capital	31	**36,366**	36,366
Convertible preference shares	31	**27,897**	27,897
Reserves		**1,209,958**	1,204,420
Total equity attributable to owners of the Company		**1,274,221**	1,268,683

The consolidated financial statements on pages 43 to 128 were approved and authorised for issue by the board of directors on 30 March 2016 and are signed on its behalf by:

Zhao Yong

Zhu Jianqiu

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Share capital	Convertible preference share	Share premium	Statutory reserve *(note i)*	Merger reserve *(note ii)*	Translation reserve	Other reserve *(note iii)*	Contributed surplus *(note iv)*	Retained earnings	Total	Non-controlling interest	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2014	11,725	46,947	1,789,766	42,175	(1,248,106)	44,875	–	–	295,892	983,274	99,623	1,082,897
Profit for the year	–	–	–	–	–	–	–	–	185,110	185,110	8,186	193,296
Exchange differences arising on translation	–	–	–	–	–	(7,145)	–	–	–	(7,145)	(365)	(7,510)
Total comprehensive (expenses) income for the year	–	–	–	–	–	(7,145)	–	–	185,110	177,965	7,821	185,786
Conversion of convertible preference shares	19,050	(19,050)	–	–	–	–	–	–	–	–	–	–
Appropriation to statutory reserve	–	–	–	2,988	–	–	–	–	(2,988)	–	–	–
Acquisition of non-controlling interests *(Note 37)*	5,591	–	305,285	–	–	–	(203,432)	–	–	107,444	(107,444)	–
At 31 December 2014	36,366	27,897	2,095,051	45,163	(1,248,106)	37,730	(203,432)	–	478,014	1,268,683	–	1,268,683
At 1 January 2015	**36,366**	**27,897**	**2,095,051**	**45,163**	**(1,248,106)**	**37,730**	**(203,432)**	**–**	**478,014**	**1,268,683**	**–**	**1,268,683**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**131,749**	**131,749**	**–**	**131,749**
Exchange differences arising on translation	**–**	**–**	**–**	**–**	**–**	**(74,801)**	**–**	**–**	**–**	**(74,801)**	**–**	**(74,801)**
Total comprehensive (expenses) income for the year	**–**	**–**	**–**	**–**	**–**	**(74,801)**	**–**	**–**	**131,749**	**56,948**	**–**	**56,948**
Appropriation to statutory reserve	**–**	**–**	**–**	**4,372**	**–**	**–**	**–**	**–**	**(4,372)**	**–**	**–**	**–**
Conversion of share premium to contributed surplus	**–**	**–**	**(2,095,051)**	**–**	**–**	**–**	**–**	**2,095,051**	**–**	**–**	**–**	**–**
Dividends recognised as distribution *(Note 11)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(51,410)**	**–**	**(51,410)**	**–**	**(51,410)**
At 31 December 2015	**36,366**	**27,897**	**–**	**49,535**	**(1,248,106)**	**(37,071)**	**(203,432)**	**2,043,641**	**605,391**	**1,274,221**	**–**	**1,274,221**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

Notes:

(i) Statutory reserve

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

(ii) Merger reserve

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

(iii) Other reserve

The other reserve represents the difference between the consideration paid and the carrying values of non-controlling interests acquired during the year ended 31 December 2014 in Note 37.

(iv) Contributed surplus

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 HK$'000	2014 HK$'000 (Represented)
OPERATING ACTIVITIES		
Profit before tax from continuing operations	**270,322**	277,458
Loss before tax from discontinued operation	**(66,968)**	(3,766)
Profit before tax	**203,354**	273,692
Adjustments for:		
Depreciation for plant and equipment	**8,504**	8,747
Finance costs	**52,428**	62,303
Gain on disposal of plant and equipment	**(54)**	(138)
Gain on disposal of subsidiaries	**–**	(7,437)
Government subsidies	**(5,028)**	(8,724)
Interest income	**(10,865)**	(7,996)
Allowance for obsolete inventories	**1,680**	–
Impairment losses recognised on trade receivables	**68,215**	25,124
Reversal of impairment losses recognised on trade receivables	**(2,989)**	–
Reversal of allowance for inventories	**–**	(3,599)
Waive of trade payables	**(7,041)**	–
Operating cash flows before movements in working capital	**308,204**	341,972
(Increase) decrease in inventories	**(162,797)**	276,029
Decrease (increase) in trade and bills receivables	**449,992**	(634,331)
Increase in trade deposits paid	**(470,777)**	(47,005)
Decrease in prepayments, deposits and other receivables	**40,007**	60,091
Decrease in amount due to ultimate holding company	**(2,331)**	(2,053)
Increase in trade and bills payables	**111,603**	52,561
Increase (decrease) in other payables	**21,656**	(20,867)
Increase in customer deposits	**49,154**	1,217
Cash generated from operations	**344,711**	27,614
The PRC tax paid	**(101,048)**	(40,826)
Hong Kong Profits Tax refunded	**965**	1,289
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES	**244,628**	(11,923)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 HK$'000	2014 HK$'000 (Represented)
INVESTING ACTIVITIES		
Capital injection of available-for-sale investment	(10,267)	–
Interest received	10,865	7,996
Net cash outflow from disposal of subsidiaries *(Note 41)*	–	(7)
Proceeds from disposal of plant and equipment	54	315
Purchase of plant and equipment	(9,667)	(5,840)
Withdrawal (placement) of pledged bank deposits	125,527	(49,180)
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES	116,512	(46,716)
FINANCING ACTIVTIES		
Repayment of loan to a fellow subsidiary	(63,115)	(504,051)
Repayment of bank loans	(468,510)	(29,850)
Interest paid	(44,064)	(68,468)
Guarantee fee paid	(8,364)	(8,652)
Government subsidies received	629	4,216
Repayment of loan to ultimate holding company	(277,316)	–
New bank loans raised	307,119	–
Loan from a fellow subsidiary	119,389	51,514
Loan from ultimate holding company	–	277,316
Dividend paid	(51,410)	–
Borrowings on discounted bills with recourse	72,193	49,463
NET CASH USED IN FINANCING ACTIVITIES	(413,449)	(228,512)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(52,309)	(287,151)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	212,204	499,936
Effect of foreign exchange rate changes	(8,234)	(581)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	151,661	212,204

1. GENERAL INFORMATION

Changhong Jiahua Holdings Limited (the "Company") was incorporated in Bermuda with limited liability.

The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business is Unit 1502, 15/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong. The Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

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

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 40.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

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

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

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

Annual Improvements to HKFRSs 2010-2012 Cycle

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

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

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

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

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

Annual Improvements to HKFRSs 2010-2012 Cycle *(Continued)*

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

Annual Improvements to HKFRSs 2011-2013 Cycle

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

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

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

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

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

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

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

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

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

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

New and revised HKFRSs in issue but not yet effective

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

HKFRS 9 (2014) Financial Instruments

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

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

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

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

HKFRS 9 (2014) Financial Instruments *(Continued)*

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

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

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

The directors of the Company anticipate that the adoption of HKFRS 9 (2014) in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed. Changes in the fair value of financial liabilities attributable to changes in credit risk of financial liabilities that are designated as at fair value through profit or loss in Note 6.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

HKFRS 15 Revenue from Contracts with Customers

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

i) Identify the contract with the customer;

ii) Identify the performance obligations in the contract;

iii) Determine the transaction price;

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

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

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

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

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

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

Annual Improvements to HKFRSs 2012-2014 Cycle

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

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

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

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

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

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

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

Amendments to HKAS 1 Disclosure Initiative

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

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

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

Amendments to HKAS 1 Disclosure Initiative *(Continued)*

Furthermore, the amendments clarify that:

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company (i.e. its subsidiaries). If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances (please specify), appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the group's accounting policies.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns. When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Company reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control of the subsidiary and cease when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets and liabilities of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets and liabilities (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Plant and equipment

Plant and equipment held for use in the production or supply of goods or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to allocate the cost of items of plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised 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 the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or 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 and available-for-sale financial assets The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument 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 and point 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 debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and bills receivables, deposits and other receivables, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment loss (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Impairment on financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all financial assets, objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or

– breach of contract, such as default or delinquency in interest or principal payments; or

– it becoming probable that the borrower will enter into bankruptcy or financial re-organisation; or

– disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade and bills receivables, assets that are assessed for impairment on a individually basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30-180 days, observable changes in national or local economic conditions that correlate with default on receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment on financial assets *(Continued)*

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade and bills receivables, other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in carrying amount of the allowance are recognised in profit or loss. When trade and bills receivables and other receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

The Group's financial liabilities are classified into other financial liability.

Other financial liabilities

Other financial liabilities including trade and bills payables, other payables, amount due to ultimate holding company, borrowings are subsequently measured at amortised cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and 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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Interest expense is recognised on an effective interest basis.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Derecognition

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition *(Continued)*

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

A financial liability is derecognised when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Revenue recognition

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

Revenue from sales of goods is recognised when the goods are delivered and title has passed, at which time all the following conditions are satisfied:

– the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

– the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the good sold;

– the amount of revenue can be measured reliably;

– it is probable that the economic benefits associated with the transaction will flow to the Group; and

– the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognised when services are provided.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

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

Payments to the PRC local government defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are charged as an expense when employees have rendered service entitling them to the contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Leasing

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

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 at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, 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 other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in-first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

Bank balances and cash in the consolidated financial statement comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Investments in subsidiaries

Investment in a subsidiary is included in the Company's statement of financial position at cost less any identified impairment loss.

Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business.

When an operation is classified as discontinued, a single amount is presented in the income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4. 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 judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. 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 on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Depreciation of plant and equipment

The Group's management determines the residual value, useful lives and related depreciation charges for its plant and equipment. These estimates are based on the historical experience of the actual residual value and useful lives of plant and equipment of similar nature and functions. Management will increase the depreciation charge where residual value or useful lives are less than previously estimated.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Estimated impairment of trade and bills receivables

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

In determining whether impairment of bad and doubtful debts is required, the Group takes into consideration the current creditworthiness, the past collection history, age status and likelihood of collection. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flow expected to receive discounted using the original effective interest rate and its carrying value. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required. As at 31 December 2015, the carrying amount of trade and bills receivables is approximately HK$1,465,233,000 (net of provision of impairment loss of approximately HK$55,414,000) (2014: carrying amount of approximately HK$2,070,943,000 (net of provision of impairment loss of approximately HK$48,714,000)). During the year ended 31 December 2015, impairment loss in respect of trade receivables was recognised in consolidated statement of profit or loss and other comprehensive income amounting to HK$12,726,000 (2014: HK$25,124,000).

Allowance for inventories

The Group makes allowance for inventories based on an assessment of the net realisbale value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than cost. As at 31 December 2015, the carrying amount of inventories was HK$1,613,065,000 (2014: HK$1,542,822,000) (net of allowance for inventories of HK$10,814,000 (2014: HK$9,134,000).

Contingent liabilities

Contingent liabilities were arising from a possible fine related to unpaid amount of social insurance of approximately HK$29,796,000 (2014: HK$29,796,000) and unpaid amount of housing provident fund of approximately HK$10,394,000 (2014: HK$10,394,000). The fine will be recognised in the consolidated statement of financial position if the Group does not settle the unpaid amounts within a specific time upon request. Details are set out in Note 38.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes borrowings, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Group is not subject to any externally imposed capital requirements.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2015	2014
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables		
(including cash and cash equivalents)	**1,749,709**	2,593,602
Available-for-sale investment	**9,849**	–
	1,759,558	2,593,602
Financial liabilities		
At amortised cost	**2,681,536**	3,010,522

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, deposits and other receivables, pledged bank deposits and bank balances and cash, available-for-sale investment, trade and bills payables, other payables, amount due to ultimate holding company and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 1% (2014: 2%) of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sales, whilst almost 99% (2014: 98%) of cost are denominated in the group entity's functional currency.

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

	Assets		Liabilities	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Renminbi ("RMB")	**222**	–	**–**	–
Hong Kong Dollars ("HK$")	**3,610**	545	**3,307**	1,549
United States Dollars ("USD")	**9,091**	50,704	**51,045**	194,887

The Group will monitor its foreign currency exposure closely and will consider hedging significant currency exposure should the need arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk (Continued)

(i) Currency risk *(Continued)*

Sensitivity analysis

The Group is mainly exposed to the currency of RMB/HK$/USD.

The following table details the Group's sensitivity to a 10% (2014: 10%) increase and decrease in the functional currency of group entities against the relevant foreign currencies. 10% (2014: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the year end for a 10% (2014: 10%) change in foreign currency rates. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the functional currency of the Group. A positive number below indicates an increase in post-tax profit (2014: an increase in post-tax profit) where functional currency of group entities strengthen 10% (2014: 10%) against the relevant currency. For a 10% (2014: 10%) weakening of functional currency of group entities against the relevant currency, there would be an equal and opposite impact on the profit or loss, and the balances below would be negative.

	RMB Impact		**HK$ Impact**		**USD Impact**	
	2015	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Profit or loss	**(19)**	–	**(25)**	75	**3,147**	10,813

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk (Continued)

(ii) Interest rate risk

The Group is exposed to fair value interest-rate risk in relation to fixed rate borrowings from banks (Note 29). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate short-term bank balances (see Note 24 for details of these balances). The exposure to the interest rate risk for variable-rate bank balances is insignificant as the bank balances have a short maturity period.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. 100 basis points (2014: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

As at 31 December 2015, if interest rates on bank balances had been 100 basis points (2014: 100 basis points) higher/lower and all other variables were held constant, post-tax profit for the year ended 31 December 2015 would increase/ decrease by HK$1,163,000 (2014: HK$1,598,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate short-term bank balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk

As at 31 December 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk as 16% (2014: 15%) and 20% (2014: 37%) of the total trade and bills receivables were due from the Group's largest customer and the five largest customers respectively which are mainly located in the PRC and include the ultimate holding company and the fellow subsidiaries of the Company.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalent deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The Group currently relies on borrowings as a significant source of liquidity. As at 31 December 2015, the Group has available unutilised overdraft and short-term bank loan facilities of nil (31 December 2014: HK$88,360,000) and HK$200,237,000 (31 December 2014: HK$107,093,000) respectively.

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.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk (Continued)

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

	Repayable on demand or less than 1 month *HK$'000*	1-3 months *HK$'000*	Over 3 months but less than 1 year *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
2015					
Non-derivative financial liabilities					
Trade and bills payables	1,995,326	–	–	1,995,326	1,995,326
Other payables	161,285	–	–	161,285	161,285
Borrowings	206,589	320,952	–	527,541	524,925
	2,363,200	320,952	–	2,684,152	2,681,536

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk (Continued)

	Repayable on demand or less than 1 month HK$'000	1-3 months HK$'000	Over 3 months but less than 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31/12/2014 HK$'000
2014					
Non-derivative financial liabilities					
Trade and bills payables	2,009,424	–	–	2,009,424	2,009,424
Other payables	153,171	–	–	153,171	129,831
Amount due to ultimate holding company	2,767	–	–	2,767	2,767
Borrowings	100,238	–	790,200	890,438	868,500
	2,265,600	–	790,200	3,055,800	3,010,522

(c) Fair values of financial assets and liabilities

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

7. REVENUE

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

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

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

8. OTHER INCOME

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

Note:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

9. SEGMENT INFORMATION

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

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

Continuing operations:

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

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

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

Discontinued operation:

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

The accounting policies of the operating segments are the same as the Company's accounting policies described in Note 3. Segment profit represents the profit earned by each segment without allocation of other income, finance costs as well as unallocated head office and corporate expenses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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

The segment information reported on the next page does not include any amounts of the above discontinued operation, which is described in more detail in Note 14.

9. SEGMENT INFORMATION *(Continued)*

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

For the year ended 31 December 2015

Continuing operations

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

9. SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 2015 *(Continued)*

Continuing operations *(Continued)*

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

9. SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 2014

Continuing operations

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

9. SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 2014 *(Continued)*

Continuing operations *(Continued)*

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

9. SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 2015

Continuing operations

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

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For the year ended 31 December 2015

9. SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 2014

Continuing operations

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

9. SEGMENT INFORMATION *(Continued)*

Geographical information

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

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

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

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

Information about major customers

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

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

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

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For the year ended 31 December 2015

10. FINANCE COSTS

Continuing operations

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

11. DIVIDENDS

	2015 HK$'000	2014 HK$'000
Dividends recognised as distribution during the year:		
2015 Interim – HK2 cents per share (2014: nil)	**51,410**	–

Subsequent to the end of the reporting period, a final dividend of HK2 cents (2014: nil) in respect of the year ended 31 December 2015 per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

12. INCOME TAX EXPENSES

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

12. INCOME TAX EXPENSES *(Continued)*

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

	2015	2014
	HK$'000	*HK$'000*
		(Represented)
Continuing operations		
Profit before tax	**270,322**	277,458
Tax at the domestic income tax rate of 25% (2014: 25%)	**67,581**	69,365
Tax effect of income not taxable for tax purpose	**(1,232)**	(6,034)
Tax effect of expenses not deductible for tax purpose	**5,043**	17,009
Tax effect of other deductible temporary differences not recognised	**–**	12
Under-provision in prior years	**213**	–
Income tax expenses	**71,605**	80,352

Withholding tax

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

13. DEFERRED TAXATION

As at 31 December 2015, the Group did not have unused tax losses and other deductible temporary differences from continuing operations.

As at 31 December 2014, the Group had unused tax losses approximately HK$24,961,000 and other deductible temporary differences approximately HK$856,000 from discontinued operation respectively available for offsetting against future profits that may be carried forward indefinitely. No deferred tax asset had been recognised as at 31 December 2014 in respect of unused tax loss and other deductible temporary differences due to the unpredicatability of future profit streams.

14. DISCONTINUED OPERATION

During the year ended 31 December 2015, the Group ceased its operation in trading of consumer electronic products that is classified as consumer electronic products segment in Note 9.

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

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

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

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For the year ended 31 December 2015

14. DISCONTINUED OPERATION *(Continued)*

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

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

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

14. DISCONTINUED OPERATION *(Continued)*

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

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

Note:

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

15. PROFIT FOR THE YEAR

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

Continuing operations

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

Note:

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

16. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and senior management's emoluments

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

For the year ended 31 December 2015

	Fees *HK$'000*	Salaries and allowances *HK$'000*	Retirement benefits scheme contributions *HK$'000*	Performance related incentive payments *HK$000*	Total *HK$'000*
Executive directors					
Ms. Shi Ping	–	–	–	–	–
Mr. Tang Yun	–	–	–	–	–
Mr. Zhao Yong	–	–	–	–	–
Mr. Yu Xiao	–	–	–	–	–
Mr. Wu Xiangtao	–	–	–	–	–
Mr. Zhu Jianqiu	–	1,269	76	9,252	10,597
Independent non-executive directors					
Mr. Jonathan Chan Ming Sun	200	–	–	–	200
Mr. Robert Ip Chun Chung	180	–	–	–	180
Mr. Sun Dongfeng	180	–	–	–	180
Mr. Cheng Yuk Kin	180	–	–	–	180
	740	1,269	76	9,252	11,337

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For the year ended 31 December 2015

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

(a) Directors' and senior management's emoluments *(Continued)*

For the year ended 31 December 2014

	Fees *HK$'000*	Salaries and allowances *HK$'000*	Retirement benefits scheme contributions *HK$'000*	Performance related incentive payments *HK$000*	Total *HK$'000*
Executive directors					
Ms. Shi Ping	–	–	–	–	–
Mr. Tang Yun	–	356	11	44	411
Mr. Zhao Yong	–	–	–	–	–
Mr. Xiang Chao Yang[1]	–	85	–	–	85
Mr. Yu Xiao	–	–	–	–	–
Mr. Wu Xiangtao	–	–	–	–	–
Mr. Zhu Jianqiu	–	1,287	63	7,856	9,206
Independent non-executive directors					
Mr. Jonathan Chan Ming Sun	200	–	–	–	200
Mr. Robert Ip Chun Chung	180	–	–	–	180
Mr. Sun Dongfeng	180	–	–	–	180
Mr. Cheng Yuk Kin	180	–	–	–	180
	740	1,728	74	7,900	10,442

1 Resigned on 16 May 2014

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

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in this Group, one (2014: one) were directors of the Company whose emoluments are included in the directors in Note 16(a) above. The emoluments of the remaining four (2014: four) individuals were as follows:

	2015	2014
	HK$'000	*HK$'000*
Salaries and other allowances	**10,415**	11,525
Retirement benefit scheme contributions	**254**	150
	10,669	11,675

The emolument fell within the following bands:

	Number of individuals	
	2015	2014
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$3,000,000	**2**	–
HK$3,000,001 to HK$4,000,000	**–**	2
HK$4,000,001 to HK$5,000,000	**1**	1
	4	4

(c) Directors' and employee's emoluments

No emoluments have been paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for both years. In the years ended 31 December 2015 and 2014, four directors, Ms. Shi Ping, Mr. Wu Xiangtao, Mr. Zhao Yong, Mr. Zhu Jianqiu and Mr. Yu Xiao waived emoluments of HK$60,000 each (2014: HK$60,000 each). During the year ended 31 December 2015, a director, Mr. Tang Yun waived emoluments of HK$60,000 (2014: nil).

Mr. Zhu Jianqiu is also the managing director of the Company and his emoluments disclosed above include those for services rendered by him as the managing director.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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17. EARNINGS PER SHARE

From continuing and discontinued operations

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

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

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

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

17. EARNINGS PER SHARE *(Continued)*

From continuing operations

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

Earnings figures are calculated as follows:

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

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

From discontinued operation

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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18. PLANT AND EQUIPMENT

	Furniture, fixtures and equipment HK$'000	Leasehold improvements HK$'000	Motor vehicle HK$'000	Total HK$'000
COST				
At 1 January 2014	53,665	13,772	2,700	70,137
Additions	5,840	–	–	5,840
Disposals	(2,460)	(106)	(119)	(2,685)
Exchange realignment	(401)	(100)	(18)	(519)
At 31 December 2014	56,644	13,566	2,563	72,773
At 1 January 2015				
Additions	**9,667**	**–**	**–**	**9,667**
Disposals	**(5,849)**	**(305)**	**(5)**	**(6,159)**
Reclassified as discontinued operation	**(232)**	**–**	**(368)**	**(600)**
Exchange realignment	**(3,045)**	**(712)**	**(119)**	**(3,876)**
At 31 December 2015	**57,185**	**12,549**	**2,071**	**71,805**
DEPRECIATION				
At 1 January 2014	35,752	4,290	1,643	41,685
Charge for the year	5,544	2,885	318	8,747
Disposals	(2,429)	(57)	(22)	(2,508)
Exchange realignment	(266)	(29)	(10)	(305)
At 31 December 2014	38,601	7,089	1,929	47,619
At 1 January 2015				
Charge for the year	**5,514**	**2,714**	**276**	**8,504**
Disposals	**(5,849)**	**(305)**	**(5)**	**(6,159)**
Reclassified as discontinued operation	**(217)**	**–**	**(368)**	**(585)**
Exchange realignment	**(2,293)**	**(472)**	**(96)**	**(2,861)**
At 31 December 2015	**35,756**	**9,026**	**1,736**	**46,518**
CARRYING VALUES				
At 31 December 2015	**21,429**	**3,523**	**335**	**25,287**
At 31 December 2014	18,043	6,477	634	25,154

18. PLANT AND EQUIPMENT *(Continued)*

The above items of plant and equipment are depreciated on a straight-line basis over the estimated useful lives after taking into account their estimated residual values at the following rates per annum:

Furniture, fixtures and equipment	5 years
Leasehold improvements	over the term of the lease ranging from 2 to 5 years
Motor vehicle	3 years

19. AVAILABLE-FOR-SALE INVESTMENT

	2015 **HK$'000**	2014 HK$'000
Unlisted investment, at cost	**9,849**	–

On 11 April 2015, Changhong IT Digital Technology Co., Ltd. ("Changhong IT Digital") an indirect wholly-owned subsidiary of the Company, entered into contracts with independent third parties to invest RMB27,500,000 (approximately HK$32,832,000) to establish Sichuan Hongyun New Generation of IT Venture Capital Fund* 四川虹雲新一代信息技術創業投資基金合夥企業(有限合夥) ("Sichuan Hongyun"), in which Changhong IT Digital holds 11% of the total partnership interest. As at the year ended 31 December 2015, Changhong IT Digital has paid RMB8,250,000 (approximately HK$9,849,000) to Sichuan Hongyun.

The available-for-sale investment is investment in unlisted equity securities issued by a private entity incorporated in the PRC. It is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably.

* English name is for identification purpose only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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20. INVENTORIES

	2015 HK$'000	2014 HK$'000
Trading merchandises	**1,613,065**	1,542,822

During the year ended 31 December 2014, there was an increase in the net realisable values of inventories due to change in the market situation. As a result, a reversal of write-down of inventories of approximately HK$3,599,000 (2015: nil) was recognised and included in cost of sales in 2014.

21. TRADE AND BILLS RECEIVABLES

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

The Company allows an average credit period of 30-180 days (2014: 30-180 days) to its third party and related party trade customers. Before accepting any new customer, the Company assesses the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. 72% (2014: 79%) of the trade and bills receivables that are neither past due nor impaired have the best credit scoring attributable under the external credit scoring system used by the Company.

Included in the Company's trade and bills receivable balance are debtors with aggregate carrying amount of approximately HK$410,580,000 (2014: HK$426,513,000) which were past due at the reporting date for which the Company has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered fully recoverable. The Company does not hold any collateral over these balances.

21. TRADE AND BILLS RECEIVABLES *(Continued)*

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

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

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

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

As 31 December 2015, the carrying amount of the trade and bills receivables which have been pledged as security for the bank borrowings is approximately HK$247,372,000 (2014: HK$99,225,000). The carrying amount of the associated bank borrowings is approximately HK$151,573,000 (2014: HK$79,380,000) as set out in Note 29.

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21. TRADE AND BILLS RECEIVABLES *(Continued)*

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

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

Movement of impairment losses recognised on trade receivables

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

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

21. TRADE AND BILLS RECEIVABLES *(Continued)*

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

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

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

22. TRADE DEPOSITS PAID

Balances of trade deposits paid were denominated in the functional currency of respective relevant group entities.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Prepayments	**705**	150
Other tax receivable	**–**	23,528
Deposits and other receivables	**25,860**	45,646
	26,565	69,324

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23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Included in prepayments, deposits and other receivables are the following amounts denominated in currencies other than the functional currency of the relevant group entities:

	2015	2014
	HK$'000	*HK$'000*
USD	**3,710**	3,608
HK$	**366**	–

24. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

	2015	2014
	HK$'000	*HK$'000*
Pledged bank deposits	**107,646**	241,131
Bank balances and cash	**150,970**	212,204
	258,616	453,335

Bank balances bear interests at floating rates based on bank deposits rates which ranged from 0.30% to 1.10% (2014: 0.35% to 1.35%) per annum.

Included in bank balances and cash are the following amounts denominated in currencies other than the functional currency of the relevant group entities:

	2015	2014
	HK$'000	*HK$'000*
HK$	**3,244**	545
RMB	**222**	–
USD	**5,381**	28,342

At 31 December 2015 and 2014, pledged bank deposits were pledged to secure general banking facilities granted to the Group and did not carry any interest.

25. TRADE AND BILLS PAYABLES

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

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

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

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

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

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26. OTHER PAYABLES

	2015	2014
	HK$'000	HK$'000
Other payables	48,962	51,325
Provision for social insurance and housing provident	40,190	40,190
Other tax payables	25,168	23,341
Accruals	46,965	38,316
	161,285	153,172

Included in the balance are amounts due to a fellow subsidiary of the Company of approximately HK$4,885,000 (2014: HK$6,471,000).

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

	2015	2014
	HK$'000	HK$'000
HK$	3,307	–
USD	–	6,391

27. CUSTOMER DEPOSITS

Included in customer deposits is the following amount denominated in currencies other than the functional currency of the relevant group entities:

	2015	2014
	HK$'000	HK$'000
USD	1,111	–

28. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The amount was unsecured, non-interest bearing and fully repaid during the year.

29. BORROWINGS

	2015 HK$'000	2014 HK$'000
Loan from a fellow subsidiary	**119,389**	63,115
Loan from ultimate holding company	**–**	227,316
Bank loans on bills discounted with recourse	**151,573**	79,380
Bank borrowings	**253,963**	498,689
	524,925	868,500
Secured	**151,573**	79,380
Unsecured	**373,352**	789,120
	524,925	868,500
Carrying amount repayable:		
Within one year	**524,925**	868,500

As at 31 December 2014, the amount of approximately HK$63,115,000 of loan from a fellow subsidiary – 四川長虹集團財務有限公司 ("長虹財務"), which was unsecured and bearing interest at a fixed rate at 5.04% per annum was fully repaid during the year ended 31 December 2015.

The amount of approximately HK$119,389,000 of loan was advanced by 長虹財務 during the year ended 31 December 2015. The balance is unsecured, bearing interest at a fixed rate at 4.30% per annum and repayable within one year.

As at 31 December 2014, the amount of approximately RMB180,000,000 (approximately HK$227,316,000) of loan from ultimate holding company, which was unsecured and bearing interest at a fixed rate of 5.88% per annum, was fully repaid during the year ended 31 December 2015.

At 31 December 2015, bank loans on bills discounted with recourse with a carrying amount of approximately HK$151,573,000 (2014: HK$79,380,000) are secured by trade and bills receivables with the carrying value of approximately HK$247,372,000 (2014: HK$99,225,000) as set out in Note 21. The range of effective interest rates (which are also equal to contracted interest rates) due in the Group's borrowing for the year ended 31 December 2015 are fixed from 3.9% to 5.6% (2014: 2.5% to 3.0%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

30. DEFERRED INCOME

The movement of deferred income is as follows:

	2015 HK$'000	2014 HK$'000
Balance as at 1 January	**9,459**	14,072
Additions during the year	**–**	4,216
Amortisation (included in other income)	**(4,399)**	(8,724)
Exchange realignment	**(335)**	(105)
Balance as at 31 December	**4,725**	9,459

There are no government grants received by the Group during the year ended 31 December 2015 (2014: approximately HK$4,216,000) towards the research and development expenditure. The amounts have been treated as deferred income and are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. This policy has resulted in a credit to income in the current year of approximately HK$562,000 (2014: HK$7,034,000).

The Group received government grants towards the acquisition of plant and equipment have been treated as deferred income and transferred to income over the useful lives of the related assets. This policy has resulted in a credit to income in the current year of approximately HK$3,837,000 (2014: HK$1,690,000).

31. SHARE CAPITAL/CONVERTIBLE PREFERENCE SHARES

Authorised:

	Number of shares		Share capital	
	2015 '000	2014 '000	2015 HK$'000	2014 HK$'000
Ordinary shares of HK$0.025 each				
At the beginning and at the end of the financial year	**5,000,000**	5,000,000	**125,000**	125,000
Convertible preference shares of HK$0.025 each				
At the beginning and at the end of the financial year	**3,000,000**	3,000,000	**75,000**	75,000

31. SHARE CAPITAL/CONVERTIBLE PREFERENCE SHARES *(Continued)*

The convertible preference shares shall be non-redeemable by the Company or the holders thereof.

Issued and fully paid:

	Ordinary share			
	Number of shares		Share capital	
	2015	2014	**2015**	2014
	'000	*'000*	**HK$'000**	*HK$'000*
At beginning of year	**1,454,652**	469,000	**36,366**	11,725
Issue of shares *(Note 1)*	**–**	223,652	**–**	5,591
Convertible Preference Shares converted to Ordinary Shares *(Note 2)*	**–**	762,000	**–**	19,050
At end of year	**1,454,652**	1,454,652	**36,366**	36,366

	Convertible preference share			
	Number of shares		Share capital	
	2015	2014	**2015**	2014
	'000	*'000*	**HK$'000**	*HK$'000*
At beginning of year	**1,115,868**	1,877,868	**27,897**	46,947
Convertible Preference Shares converted to Ordinary Shares *(Note 2)*	**–**	(762,000)	**–**	(19,050)
At end of year	**1,115,868**	1,115,868	**27,897**	27,897

Note 1: On 21 April 2014, the Company has allotted and issued an aggregate of 223,652,000 new ordinary shares of HK$0.025 each for settlement of a part of consideration of the acquisition of Wide Miracle Limited (the "Wide Miracle"). The fair value of the consideration is measured at the market price of the shares of the Company as at 10 June 2014 which is HK$1.39 per share, giving a total of approximately HK$310,876,000. The transaction cost of approximately HK$1,499,000 has been recognised in administrative expenses in the statement of profit or loss and other comprehensive income. Wide Miracle is principally engaged in investment holding activities and holds 10% of shareholding Changhong IT Information Products Co. Ltd. ("CHIT"). Upon the completion of acquisition, CHIT became a wholly-owned subsidiary of the Company.

Note 2: On 21 April 2014, Fit Generation Holding Limited, a holder of the convertible preference shares of the Company exercise its right to convert 762,000,000 convertible preference shares of par value HK$0.025 each into ordinary shares of HK$0.025 each with a total amount of approximately HK$19,050,000.

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31. SHARE CAPITAL/CONVERTIBLE PREFERENCE SHARES *(Continued)*

The major terms of the convertible preference shares are set out below:

The convertible preference shares are convertible into ordinary shares of the Company and are entitled to the same dividends that are declared for the ordinary shares. Convertible preference shares do not carry the right to vote in shareholders' meeting. Upon winding up, the Company's residual assets and funds are distributed to the members of the Company in the following priority:

(i) in paying to the holders of the convertible preference shares, pari passu as between themselves by reference to the aggregate nominal amount of the convertible preference shares held by them respectively, an amount equal to the aggregate of the issue price of all of the convertible preference shares held by them respectively;

(ii) the balance of such assets shall be distributed on a pari passu basis among the holders of any class of shares in the capital of the Company other than the convertible preference shares and other than any shares which are not entitled to participate in the distribution of such assets, by reference to the aggregate nominal amount paid up on the shares held by them respectively; and

(iii) the remaining balance of such assets shall belong to and be distributed on a pari passu basis among the holders of any class of shares including the convertible preference shares, other than any shares not entitled to participate of such assets, by reference to the aggregate nominal amount of shares held by them respectively.

32. SHARE OPTION SCHEME

On 11 January 2000, the Company approved the share option scheme (the "Scheme") under which the directors of the Company 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.

32. SHARE OPTION SCHEME *(Continued)*

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

During the years ended 31 December 2015 and 2014, no option under the Scheme had been granted to any person, nor was there any outstanding option granted under the Scheme in issue.

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2015	2014
	HK$'000	*HK$'000*
Non-current asset		
Investments in subsidiaries *(Note a)*	**1,241,851**	1,231,574
Current assets		
Prepayments, deposits and other receivables	**366**	150
Amounts due from subsidiaries *(Note b)*	**2**	12,603
Bank balances and cash	**2,473**	479
Tax recoverable	**–**	73
	2,841	13,305
Current liabilities		
Other payables	**3,307**	1,448
Amounts due to subsidiaries *(Note b)*	**86,183**	–
	89,490	1,448
Net current liabilities (assets)	**(86,649)**	11,857
	1,155,202	1,243,431
Capital and reserves		
Share capital	**36,366**	36,366
Convertible preference shares	**27,897**	27,897
Reserves *(Note c)*	**1,090,939**	1,179,168
	1,155,202	1,243,431

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For the year ended 31 December 2015

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

Notes:

(a) As at 31 December 2015, investments in subsidiaries are carried at cost of HK$1,241,851 (2014: HK$1,231,574).

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

(c) Movements of Reserves during the year are as follows:

	Share premium *HK$'000*	Contributed surplus *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2014	1,789,766	–	(38,825)	1,750,941
Loss for the year	–	–	(877,058)	(877,058)
Issue of ordinary shares	305,285	–	–	305,285
At 31 December 2014 and 1 January 2015	**2,095,051**	**–**	**(915,883)**	**1,179,168**
Loss for the year	**–**	**–**	**(36,819)**	**(36,819)**
Conversion of share premium to contributed surplus *(Note d)*	**(2,095,051)**	**2,095,051**	**–**	**–**
Dividends recognised as distribution *(Note 11)*	**–**	**(51,410)**	**–**	**(51,410)**
At 31 December 2015	**–**	**2,043,641**	**(952,702)**	**1,090,939**

(d) On 15 May 2015, a resolution was passed on the annual general meeting to approve the reduction of the amount of approximately HK$2,095,051,000 standing to the credit of the share premium account of the Company and the transfer of the entire amount to the contributed surplus account of the Company. Details are set out in the Company's announcements dated on 27 March 2015 and 15 May 2015.

34. OPERATING LEASE COMMITMENTS

The Group as lessee:

	2015	2014
	HK$'000	*HK$'000*
Minimum lease payments under operating lease during the year	**15,537**	15,447

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

	2015	2014
	HK$'000	*HK$'000*
Within one year	**10,772**	9,673
In the second to fifth year, inclusive	**2,805**	9,173
	13,577	18,846

Leases are negotiated and rentals are fixed for terms of 2 to 5 years (2014: 2 to 5 years).

35. CAPITAL COMMITMENT

	2015	2014
	HK$'000	*HK$'000*
Commitment contracted but not provided for in respect of:		
– Capital contribution to available-for-sale investment	**22,983**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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36. RETIREMENT BENEFIT SCHEME

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

The retirement benefits scheme contributions arising from the MPF Scheme charged to the consolidated statement of profit or loss represent contributions payable to the scheme by the Group at rates specified in the rules of the scheme. For the year ended 31 December 2015, contributions of the Group under the MPF Scheme amounted to approximately HK$79,000 (2014: HK$93,000).

Employees of the subsidiaries in the PRC are members of the state-sponsored pension scheme operated by the PRC government (the "PRC Pension Scheme"). The subsidiaries are required to contribute a certain percentage of their payroll to the pension scheme to fund the benefit. The only obligation of the Company with respect to the pension scheme is to make the required contributions. For the year ended 31 December 2015, contributions of the Group under the PRC Pension Scheme amounted to approximately HK$44,809,000 (2014: HK$43,838,000).

The total cost charged to the consolidated statement of profit or loss of approximately HK$44,888,000 for the year ended 31 December 2015 (2014: HK$43,931,000), represent contributions payable to these schemes by the Company during the year ended 31 December 2015.

37. MAJOR NON-CASH TRANSACTION

On 21 April 2014, Changhong (Hong Kong) Enterprises Limited, a wholly – owned subsidiary of the Company, entered into a sale and purchase agreement to acquire the entire equity interests of the Wide Miracle which is principally engaged in investment holding activities and holds 10% of equity interest in CHIT. Upon the completion of acquisition on 10 June 2014, CHIT became a wholly-owned subsidiary of the Company. The consideration will be satisfied by issuance of 223,652,000 ordinary shares of the Company at par value of HK$0.025 each. The fair value of the consideration is measured at the market price of the shares of the Company as at 10 June 2014 which is HK$1.39 per share, giving a total of approximately HK$310,876,000. Details were set out in the Company's announcement on 21 April 2014 and the circular on 14 May 2014.

38. CONTINGENT LIABILITIES

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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39. RELATED PARTY TRANSACTIONS

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

Name of company	*Notes*	Nature of transaction	**2015** **HK$'000**	2014 HK$'000
Ultimate holding company of the Group				
Sichuan Changhong	*(i)*	Sales of goods	**57,546**	26,867
		Purchases of goods	**–**	4,001
		Administrative expenses – rental expenses	**17**	17
		Finance cost – interest expenses	**3,034**	491
四川長虹電子控股集團有限公司	*(ii)*	Finance cost – guarantee charge	**8,364**	8,652
		Guarantee to suppliers – Maximum amount granted	**1,652,490**	1,676,334
Fellow subsidiaries of the Company				
四川虹信軟件有限公司	*(iii)*	Sales of goods	**3,516**	7,630
北京長虹科技有限公司	*(iii)*	Administrative expenses – rental expenses	**6,541**	6,632
		Sales of goods	**6**	–
北京京東方長虹網路科技有限責任公司	*(iii)*	Sales of goods	**–**	29
四川長虹電子系統有限公司	*(iii)*	Sales of goods	**4,395**	422
四川虹微技術有限公司	*(iii)*	Sales of goods	**2,736**	57
四川長虹空調有限公司	*(iii)*	Sales of goods	**11**	10
Changhong (Hong Kong) Trading Limited	*(iii)*	Finance cost – interest expenses	**–**	3,762
		Purchase of goods	**–**	5,489
		Sales of goods	**2,382**	–
Guangdong Changhong Electronics Co., Ltd.	*(iii)*	Sales of goods	**–**	5,926
		Purchase of goods	**–**	10,186

39. RELATED PARTY TRANSACTIONS *(Continued)*

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

Name of company	*Notes*	Nature of transaction	2015 HK$'000	2014 HK$'000
Fellow subsidiaries of the Company *(continued)*				
四川長虹電子部品有限公司	*(iii)*	Sales of goods	**16,182**	–
Sichuan Changhong Network Technologies Co., Ltd.	*(iii)*	Sales of goods	**–**	103
Changhong Ruba Electric Company (PVT) Limited	*(iii)*	Sales of goods	**–**	2,539
四川快益點電器服務連鎖有限公司	*(iii)*	Sales of goods	**182**	–
四川長虹點點幫科技有限公司	*(iii)*	Sales of goods	**122**	–
成都長虹電子科技有限責任公司	*(iii)*	Administrative expenses – rental expenses	**1,331**	–
		Sales of goods	**330**	–
四川長虹教育科技有限公司	*(iii)*	Sales of goods	**4,287**	–
Related company of the Group				
四川長虹集團財務有限公司	*(iv)*	Finance cost – interest expenses	**17,360**	9
		Sales of goods	**–**	174

Notes:

(i) Sichuan Changhong holds approximately 69.32% equity interest of the Company.

(ii) 四川長虹電子控股集團有限公司 holds approximately 23.20% equity interest of Sichuan Changhong.

(iii) Sichuan Changhong has controlling interests in these companies.

(iv) Sichuan Changhong holds 50% equity interests in 四川長虹集團財務有限公司.

The details of continuing connect transactions are disclosed in Report of Directors section of the annual report.

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For the year ended 31 December 2015

39. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Compensation of key management personnel

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

	2015	2014
	HK$'000	*HK$'000*
Short-term benefits	**22,845**	19,462
Post-employment benefits	**518**	256
	23,363	19,718

The remuneration of directors and management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES

General information of subsidiaries

Details of the Group's subsidiaries at the end of the reporting period are set out below.

Name of subsidiaries	Place of incorporation/ registration and operation	Class of shares held	Paid up issued/ registered capital	Proportion ownership interest held by the Company Directly 2015 %	2014 %	Indirectly 2015 %	2014 %	Proportion of voting power held by the Company Directly 2015 %	2014 %	Indirectly 2015 %	2014 %	Principal activities
Changhong Overseas Development Limited	Hong Kong	Ordinary	HK$100,000	**100**	100	**–**	–	**100**	100	**–**	–	Trading of consumer electronic products and related parts and components
Changhong (Hong Kong) Enterprises Limited	Hong Kong	Ordinary	HK$10,001	**–**	–	**100**	100	**–**	–	**100**	100	Investment holding
CHIT	PRC	–	RMB 200,000,000	**–**	–	**100**	100	**–**	–	**100**	100	Provision of professional integrated IT solutions and services and distribution of consumer digital products
Changhong IT Digital Technology Co., Ltd. 四川長虹佳華數字技術有限公司	PRC	–	RMB 50,000,000	**–**	–	**100**	100	**–**	–	**100**	100	Provision of professional integrated IT solutions and services and distribution of consumer digital products
Beijing Changhong IT Intelligence System Co., Ltd. 北京長虹佳華智能系統有限公司	PRC	–	RMB 50,000,000	**–**	–	**100**	100	**–**	–	**100**	100	Provision of professional integrated IT solutions and services and distribution of consumer digital products
Changhong IT (Hong Kong) Information Products Co., Limited	Hong Kong	–	HK$ 10,000,000	**100**	–	**–**	100	**100**	–	**–**	100	Provision of professional integrated IT solutions and services and distribution of consumer digital products

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40. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

General information of subsidiaries *(Continued)*

To above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

Composition of the Group

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A summary of these subsidiaries are set out as follows:

Principal activities	Places of incorporation and operation	Number of wholly-owned subsidiaries	
		2015	2014
Investment holding	British Virgin Island	**2**	2
	Hong Kong	**–**	1
		2	3

41. DISPOSAL OF SUBSIDIARIES

On 5 September 2014, the Group disposed of its entire equity interests in Apex Honor Resources Limited ("Apex HR") (together with its subsidiaries collectively referred to the "Apex HR Group") to an independent third party, at a consideration of HK$1.

Analysis of assets and liabilities over which control was lost:

	2014
	HK$'000
Bank balances and cash	7
Trade and bills payables	(5)
Tax payables	(7,439)
Net liabilities disposed of	(7,437)
Gain on disposal of a subsidiary:	
Consideration received	–
Net liabilities disposed of	(7,437)
Gain on disposal	7,437
Net cash outflow arising on disposal:	
Cash consideration	–
Bank balances and cash disposed of	(7)
	(7)

Upon the completion, the Company ceased to hold any interest in the Apex HR Group. The subsidiaries disposed of during the year had no significant impact on the Group's operating, investing and financing cash flows for the year ended 31 December 2014.