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

(Incorporated in Bermuda with limited liability)
(Stock Code: 8016)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

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

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

RESULTS

The board of directors (the "Board") of the Company is pleased to announce the audited financial results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2012.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Notes	**2012**	2011
		HK$'000	*HK$'000*
TURNOVER	*1*	**3,462,290**	2,724,330
Cost of sales		**(3,417,379)**	(2,680,539)
GROSS PROFIT		**44,911**	43,791
Other income	*2*	**577**	226
Distribution and selling expenses		**(9,956)**	(8,451)
Administrative expenses		**(34,798)**	(15,662)
Finance costs	*4*	**(8,014)**	(6,449)
(LOSS)/PROFIT BEFORE TAX		**(7,280)**	13,455
Income tax expenses	*5*	**(2,800)**	(2,984)
(LOSS)/PROFIT AND TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	*6*	**(10,080)**	10,471
(LOSS)/EARNINGS PER SHARE			
Basic and diluted	*7*	**(3.02) cents**	3.19 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current asset			
Plant and equipment		**227**	394
Current assets			
Trade and bills receivables	8	**690,117**	392,574
Trade deposits paid		**4,416**	47,399
Prepayments, deposits and other receivables		**577**	594
Amounts due from related companies		**69**	69
Tax recoverable		**152**	230
Pledged bank deposits		**–**	3,467
Bank balances and cash		**223,013**	71,888
		918,344	516,221
Current liabilities			
Trade and bills payables	9	**463,824**	311,909
Other payables		**13,334**	4,828
Customer deposits		**169,800**	52,339
Amount due to a director		**5**	5
Tax liabilities		**4,928**	4,928
Borrowings		**228,669**	94,515
		880,560	468,524
Net current assets		**37,784**	47,697
TOTAL ASSETS LESS CURRENT LIABILITIES		**38,011**	48,091
Capital and reserves			
Share capital		**8,350**	8,350
Reserves		**29,661**	39,741
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**38,011**	48,091

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Share capital *HK$'000*	Share premium *HK$'000*	(Accumulated losses)/ retained earnings *HK$'000*	Total *HK$'000*
At 1 January 2011	7,950	28,537	(5,222)	31,265
Total comprehensive income for the year	–	–	10,471	10,471
Share issued	400	7,600	–	8,000
Transaction costs attributable to issue of shares	–	(1,645)	–	(1,645)
At 31 December 2011 and 1 January 2012	8,350	34,492	5,249	48,091
Total comprehensive expense for the year	–	–	(10,080)	(10,080)
At 31 December 2012	8,350	34,492	(4,831)	38,011

Notes:

1. TURNOVER

The Group's turnover represents the invoiced value of goods sold, net of discounts and sales related taxes.

2. OTHER INCOME

	2012	2011
	HK$'000	*HK$'000*
Bank interest income	**12**	83
Referral income	**67**	–
Exchange gain, net	**194**	–
Gain on disposal of plant and equipment	**1**	18
Others	**303**	125
	577	226

3. SEGMENT INFORMATION

Information reported to the Board of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered. For management purposes, the Group is currently organised into a single segment as trading of consumer electronic products and related parts and components, and all revenue, expenses, results, assets and liabilities and capital expenditures are predominantly attributable to this single operating segment. Accordingly, no segment analysis by business is presented.

Revenue from major products

The Group's revenue from operations was generated from trading of consumer electronic products and related parts and components for both years.

Geographical information

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

	2012	2011
	HK$'000	*HK$'000*
People's Republic of China ("PRC")	**1,915,168**	1,670,727
Europe	**468,909**	407,603
Australia	**48,955**	96,419
Hong Kong	**258,288**	101,673
Middle East	**78,835**	76,040
Africa	**89,020**	24,978
Other Asian District	**273,939**	165,246
South America	**329,176**	181,644
	3,462,290	2,724,330

Non-current assets of the Group are located in Hong Kong.

Information about major customer

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

	2012	2011
	HK$'000	*HK$'000*
Sichuan Changhong Electric Co. Ltd. ("Sichuan Changhong")	**1,349,932**	1,134,478

4. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings wholly repayable within 5 years	**6,639**	3,868
Loan from a fellow subsidiary wholly repayable within 5 years	**1,375**	2,581
	8,014	6,449

5. INCOME TAX EXPENSES

	2012	2011
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
– Current tax	**2,800**	2,964
– Under provision in prior year	**–**	20
	2,800	2,984

Hong Kong Profits Tax is calculated at a rate of 16.5% of the estimated assessable profit for both years.

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

	2012	2011
	HK$'000	*HK$'000*
(Loss)/profit before tax	**(7,280)**	13,455
Tax at the domestic income tax rate of 16.5% (2011: 16.5%)	**(1,201)**	2,220
Tax effect of income not taxable for tax purpose	**(17)**	(23)
Tax effect of expenses not deductible for tax purpose	**3,712**	658
Tax effect of other deductible temporary differences not recognised	**24**	14
Tax effect of tax losses not recognised	**282**	95
Under provision in respect of prior year	**–**	20
Income tax expenses	**2,800**	2,984

6. (LOSS)/PROFIT FOR THE YEAR

(Loss)/profit for the year has been arrived at after charging:

	2012	2011
	HK$'000	*HK$'000*
Depreciation for plant and equipment	**192**	196
Auditor's remuneration	**940**	940
Cost of inventories recognised as an expense	**3,417,379**	2,680,539
Staff costs, including directors' emoluments		
Salaries and related staff costs	**9,355**	8,158
Retirement benefits scheme contributions	**156**	160
	9,511	8,318
Minimum lease payments in respect of rented premises	**1,591**	1,276
Exchange loss, net	**–**	735

7. (LOSS)/EARNINGS PER SHARE

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

	2012	2011
	HK$'000	*HK$'000*
(Loss)/earnings		
(Loss)/profit attributable to owners of the Company for the purpose of basis and diluted (loss)/earnings per share	**(10,080)**	10,471

Number of Share	**2012**	2011
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**334,000**	328,258

As there were no dilutive potential shares during the two years ended 31 December 2012 and 2011, the diluted (loss)/earnings per share is the same as basic (loss)/earnings per share.

8. TRADE AND BILLS RECEIVABLES

Included in the balance are amounts due from fellow subsidiaries of the Company of approximately HK$389,109,000 (2011: HK$275,680,000) and amount due from the ultimate holding company of the Company of approximately HK$234,747,000 (2011: HK$98,469,000).

The Company allows an average credit period of 30-90 days and 30-120 days (2011: 30-90 days and 30-120 days) to its third party and related party trade customers respectively. Before accepting any new customer, the Company assesses the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. 68% (2011: 62%) of the trade and bills receivables that are neither past due nor impaired have the best credit scoring attributable under the external credit scoring system used by the Company. The Company does not hold any collateral over these balances.

Included in the Company's trade and bills receivable balance are debtors with aggregate carrying amount of approximately HK$214,867,000 (2011: HK$147,285,000) 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.

	2012	2011
	HK$'000	*HK$'000*
Within 30 days	**187,542**	76,059
31 – 60 days	**271,687**	65,066
61 – 90 days	**37,560**	60,830
91 – 180 days	**155,113**	177,534
Over 180 days	**38,215**	11,699
Over 365 days	**–**	1,386
	690,117	392,574

9. TRADE AND BILLS PAYABLES

Included in the balance are amount due to the ultimate holding company of the Company of approximately HK$198,113,000 (2011: HK$34,758,000) and amount due to the fellow subsidiaries of the Company of approximately HK$110,327,000 (2011: HK$203,883,000). The ageing analysis of trade and bills payables, based on the date of receipt of goods, is as follows:

	2012	2011
	HK$'000	*HK$'000*
Within 30 days	**251,015**	50,821
31 – 60 days	**101,307**	55,965
61 – 90 days	**34,060**	62,369
91 – 180 days	**33,444**	121,101
181 – 365 days	**34,714**	21,540
Over 1 year	**9,284**	113
	463,824	311,909

10. EVENT AFTER THE REPORTING PERIOD

(a) Acquisition of subsidiary

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

Details were set out in the circular dated 12 December 2012.

(b) Increase in authorised share capital

On 22 January 2013, in contemplation of the issue and allotment of the new ordinary shares, the new convertible preference shares and the conversion shares, the Company increased its authorised share capital from HK$30,000,000 divided into 1,200,000,000 ordinary shares of HK$0.025 each to HK$200,000,000 divided into 5,000,000,000 ordinary shares of HK$0.025 each and 3,000,000,000 new convertible preference shares of HK$0.025 each.

Details were set out in the circular dated 12 December 2012.

(c) Allotment and issuance of the ordinary shares

On 22 January 2013, the Company has allotted and issued an aggregate of 135,000,000 new ordinary shares of HK$0.025 each at a price of HK$1 per share. The net proceeds of approximately HK$135,000,000 were used to settle a part of consideration of the CH Jiahua Acquisition. The new ordinary shares were issued rank pari passu with the existing shares in all respects.

Details were set out in the circular dated 12 December 2012.

(d) Allotment and issuance of the convertible preference shares

On 22 January 2013, the Company has allotted and issued an aggregate of 1,877,868,000 new non-redeemable restricted voting convertible preference shares of HK$0.025 each at a price of HK$1 per share. The net proceeds of approximately HK$1,877,868,000 were used to settle a part of consideration of the CH Jiahua Acquisition.

Details were set out in the circular dated 12 December 2012.

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

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

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Disclosures – Transfer of Financial Assets
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets

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

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

Amendments to HKFRSs	Annual improvements 2009 – 2011 Cycle[2]
Amendments to HKFRS 1	Government Loan[2]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements Disclosure of Interests in Other Entities: Transition Guidance[2]
Amendments to HKFRS 10 HKFRS 12 and HKAS 27	Investment Entities[3]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangments[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
HK (International Financial Reporting Interpretation Committee) – Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after 1 July 2012.
[2] Effective for annual periods beginning on or after 1 January 2013.
[3] Effective for annual periods beginning on or after 1 January 2014.
[4] Effective for annual periods beginning on or after 1 January 2015.

Annual Improvements to HKFRSs 2009 – 2011 Cycle issued in June 2012

The Annual Improvements to HKFRSs 2009 – 2011 Cycle include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include the amendments to HKAS 16 Property, Plant and Equipment and the amendments to HKAS 32 Financial Instruments: Presentation.

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The directors do not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements.

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. The directors anticipate that the amendments to HKAS 32 will have no effect on the Group's consolidated financial statements as the Group has already adopted this treatment.

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described below:

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

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

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

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

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. HK (SIC)-Int 12 Consolidation – Special Purpose Entities with withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC) – Int 13 Jointly Control Entities – Non-monetary Contributions by Venturers will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided all of these five standards are applied at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of HKFRS 10 may result in the Group no longer consolidating some of its investees. The directors anticipate that the application of these five standards may not have significant impact on the amounts reported in the consolidated financial statements under the current group structure.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

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

CORPORATE GOVERNANCE REPORT

The Company has applied the Corporate Governance Code (the "CG Code") contained in Appendix 15 to the GEM Listing Rules which sets out corporate governance principles (the "Principles") and code provisions (the "Code Provisions"), the Company has complied with most of the Code Provisions as far as possible and practicable throughout the year ended 31 December 2012. An explanation for any deviations is provided below.

Code provision A.6.7

Pursuant to A.6.7 of the CG Code, independent non-executive directors should attend general meetings. However, all independent non-executive directors were unable to attend the annual general meeting held on 4 May 2012 due to other prior engagements.

Code provision E.1.2

Pursuant to E.1.2 of the CG Code, the Chairman should attend the annual general meeting. However, Mr. Yu Xiao was unable to attend the annual general meeting held on 4 May 2012 due to other prior engagements.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

REMUNERATION COMMITTEE

The Company has established the remuneration committee with written terms of reference. The remuneration committee currently comprises three independent non-executive directors and one executive director. It is chaired by an independent non-executive director. During the year, the remuneration committee held three meetings.

AUDIT COMMITTEE

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

During the year, the audit committee held four meetings. The annual results for the year ended 31 December 2012 was reviewed by the audit committee.

NOMINATION COMMITTEE

The Company has established the nomination committee with written terms of reference. The nomination committee currently comprises three independent non-executive directors and one executive director. It is chaired by the Chairman of the Board. During the year, the nomination committee held one meeting.

AUDITOR'S REMUNERATION

The remuneration of the audit service rendered by the auditor of the Group was mutually agreed in view of the scope of services in the total amount of HK$900,000. The auditor and its affiliates also provided non-audit service of issuing of confirmation letter on continuing connected transaction to the Company which amounted to HK$40,000. During the period, the auditor was engaged in professional services in relation to the CH Jiahua Acquisition (to be defined below) with fees amounted to HK$5,602,600.

INTERNAL CONTROL

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year, the Company and its subsidiaries engaged in trading business in the consumer electronics industry (the "Trading Business"). The Group has accomplished an improved operating revenue of approximately HK$3,462.29 million and loss before tax of approximately HK$7.28 million. The revenue for year 2012 was 27.09% higher than the previous year but due to the professional fees incurred for an acquisition (as described below), the Group recorded a net loss of approximately HK$10.08 million for the year ended 31 December 2012.

As at 31 December 2012, the Group's gross margin was approximately 1.30%, which is 18.75% lower than that of 2011. The decrease was due to the fierce competition and the drop of price of the product in the industry.

The acquisition (the "CH Jiahua Acquisition") from the controlling shareholder, Sichuan Changhong Electric Co., Limited ("Sichuan Changhong") was approved in a Special General Meeting on 8 January 2013 and was completed on 22 January 2013, details of which are set out in the announcement of the Company dated 23 April 2012 and the circular of the Company dated 12 December 2012 (the "Circular"). The name of the Company has been changed to Changhong Jiahua Holdings Limited (長虹佳華控股有限公司) with effect on 18 February 2013. Pursuant to the CH Jiahua Acquisition, distribution of IT consumer and corporate products was added to the Group's current business lines.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial and liquidity positions are healthy and stable. As at 31 December 2012, the aggregate outstanding borrowings of the Group were approximately HK$228.67 million (2011: HK$94.52 million) which were partially unsecured and interested bearing. Such fluctuation was due to the increase of factoring in the year ended 31 December 2012 as the Group's financial positions are continuously improving. The Group's cash and bank balances amounted to approximately HK$223.01 million, together with trade and bills receivables amounted to approximately HK$690.12 million. The Group's net current assets approximate to HK$37.78 million and the Group does not have any charges on its assets. The management is confident that with some proper funding arrangements, the Group's financial resources are sufficient to finance the daily operation.

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

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2012, the total number of the Group's staff was 27. The total staff costs (including directors) amounted to approximately HK$9.51 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.

During the year under review, there was no outstanding share options granted or excercised as the scheme expired.

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

OUTLOOK

As the Company has established stable clientele bases of supplier and customers and the financial positions of the Group are continuously improving, in terms of the fact that Company has acquired an IT distribution business, the Company is confident that the trading business in the consumer electronics industry and the IT distribution business will build up a steady and considerable income stream for the Group. The management will put more efforts to explore further business opportunities in related industries and will look for suitable investment opportunities in an active but cautious manner to broaden the Group's business. The Board believes that the business of the Group will continue to improve in the near future. The Group's commitment is to create value for shareholders.

DIVIDEND

The Board do not recommend the payment of any dividend in respect of the year (2011: Nil).

INTERESTS OF THE DIRECTORS IN THE COMPANY

As at 31 December 2012, the interests and short positions of the Directors in the ordinary Shares of the Company (the "Shares"), underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Long positions in Shares

Name of Director	Number of Shares	Capacity	Type of Interest	Approximate percentage of interest %
Mr. Ji Long Fen, David ("Mr. Ji")	22,260,000	Beneficial owner	Personal	6.67

Note:

(1) On 20 January 2012, Mr. Ji's interest decreased to 6.67% after he sold 22,260,000 Shares to Mr. Yu Shaobo. Mr. Ji's interests further decreased to 4.75% upon the completion of the CH Jiahua Acquisition on 22 January 2013.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS IN THE COMPANY

As at 31 December 2012, the persons or companies (not being a Director or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

Long positions in Shares

Name of substantial shareholder	Capacity	Number of Shares	Approximate percentage of interest %
Sichuan Changhong and its subsidiaries *(note (a))*	Directly beneficially owned	111,368,000	33.34
Sichuan Investment Management Company Limited *(note (b))*	Directly beneficially owned	83,009,340	24.85
Mr. Ji *(note (c))*	Directly beneficially owned	22,260,000	6.67
Ms. Liu Ru Ying *(note (d))*	Through spouse	22,260,000	6.67
Mr. Yu Shaobo	Directly beneficially owned	22,260,000	6.67

Note

(a) Sichuan Changhong had an interest in an aggregate of 111,368,000 Shares, of which it directly owns 95,368,000 Shares and its wholly-owned subsidiary, Changhong (Hong Kong) Trading Limited owns 16,000,000 Shares. As at the completion of the CH Jiahua Acquisition on 22 January 2013, Sichuan Changhong held 95,368,000 Shares, Changhong (Hong Kong) Trading Limited held 16,000,000 Shares and Fit Generation Holding Limited (an indirect wholly-owned subsidiary of Sichuan Changhong) held 135,000,000 Shares and the interest of Sichuan Changhong and its subsidiary increased to 52.53%.

(b) As at the completion of the CH Jiahua Acquisition on 22 January 2013, the interest of Sichuan Investment Management Company Limited decreased to 17.70%.

(c) On 20 January 2012, Mr. Ji's interest decreased to 6.67% after he sold 22,260,000 Shares to Mr. Yu Shaobo. Mr. Ji's interests further decreased to 4.75% upon the completion of the CH Jiahua Acquisition on 22 January 2013.

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

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

DIRECTORS' INTEREST IN A COMPETING BUSINESS

Apex Digital Inc. ("Apex Digital") is wholly owned by Mr. Ji from 10 April 2006. Apex Digital is principally engaged in the wholesaling business of consumer home electronics items under the name of "APEX Digital".

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

Save as disclosed above, none of the directors or the management 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.

CORPORATE GOVERNANCE RELATING TO THE DEED OF NON-COMPETITION

Pursuant to the CH Jiahua Acquisition, a deed of non-competition was entered into between Sichuan Changhong, Sichuan Changhong Electronics Group Co., Ltd. and Fit Generation Holdings Limited, the controlling shareholders of the Company, and the Company on 7 December 2012 to eliminate the competition between the Group and Sichuan Changhong and its shareholder, Sichuan Changhong Electronics Group Co., Ltd with effect from completion of the CH Jiahua Acquisition. (Please refer to the section headed "Relationship with the Controlling Shareholders – Non-compete Undertakings" of the Circular for further details about the deed of non-competition).

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

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

By Order of the Board
Yu Xiao
Chairman

Hong Kong, 26 March 2013

As at the date of this announcement, the Company's executive directors are Mr. David Ji Long Fen, Mr. Xiang Chao Yang, Mr. Wu Xiangtao, Mr. Tang Yun, Mr. Yu Xiao, Ms. Shi Ping and Mr. Rong Dong and the independent non-executive directors of the Company are Mr. Jonathan Chan Ming Sun, Mr. Robert Ip Chun Chung, Mr. Sun Dongfeng and Mr. Cheng Yuk Kin.

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