



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

(Incorporated in Bermuda with limited liability)

(Stock Code: 8016)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2014

The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) has 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 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.

UNAUDITED INTERIM RESULTS

The board of Directors of the Company (the “Board”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (together, the “Group”) for the three months and six months ended 30 June 2014 together with the unaudited comparative figures for the respective corresponding period in 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

	<i>Notes</i>	For the three months ended 30 June		For the six months ended 30 June	
		2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Turnover	2	3,544,666	4,611,456	7,997,126	9,290,069
Cost of sales		(3,375,121)	(4,445,232)	(7,633,880)	(8,937,192)
Gross profit		169,545	166,224	363,246	352,877
Other income		1,209	3,927	4,077	8,758
Administrative expenses		(35,300)	(37,789)	(63,385)	(67,639)
Distribution and selling expenses		(73,047)	(60,464)	(137,490)	(126,529)
Profit from operation	4	62,407	71,898	166,448	167,467
Finance cost		(13,680)	(28,012)	(37,297)	(44,494)
Profit before taxation		48,727	43,886	129,151	122,973
Income tax expense	5	(13,564)	(7,622)	(33,500)	(26,672)
Profit and total comprehensive income for the period		<u>35,163</u>	<u>36,264</u>	<u>95,651</u>	<u>96,301</u>
Total comprehensive income for the period attributable to:					
Owners of the Company		33,141	32,638	87,472	86,671
Non-controlling interests (refer P.9, 3rd paragraph of Business Review)		2,022	3,626	8,179	9,630
		<u>35,163</u>	<u>36,264</u>	<u>95,651</u>	<u>96,301</u>
Earnings per share Basic and diluted (HK cents)	6	<u>1.48</u>	1.54	<u>4.02</u>	4.13

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Plant and equipments		13,014	19,025
Intangible assets		12,926	9,427
		25,940	28,452
CURRENT ASSETS			
Trade and bills receivables	7	1,134,513	1,465,166
Inventories		1,734,063	1,831,192
Trade deposits		281,891	299,246
Prepayments, deposits and other receivables		118,508	135,404
Tax recoverable		–	1,962
Cash and bank balances		397,613	691,887
		3,666,588	4,424,857
CURRENT LIABILITIES			
Trade and bills payables	8	1,740,316	1,968,262
Tax payable		19,650	4,961
Other payables and accruals		141,282	190,400
Customer deposit		102,539	154,707
Amount due to ultimate holding company		2,864	3,219
Borrowings		506,465	530,740
		2,513,116	2,852,289
NET CURRENT ASSETS		1,153,472	1,572,568
TOTAL ASSET LESS CURRENT LIABILITIES		1,179,412	1,601,020
NON-CURRENT LIABILITIES			
Deferred income		10,970	14,072
Borrowings		–	504,051
		10,970	518,123
TOTAL EQUITY		1,168,442	1,082,897
CAPITAL AND RESERVES			
Share capital		36,366	11,725
Convertible preference shares		27,897	46,947
Reserves		1,104,179	924,602
Non-controlling interests (refer P.9, 3rd paragraph of Business Review)		–	99,623
		1,168,442	1,082,897

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

	For the six months ended 30 June	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total equity at 1 January	1,082,897	872,361
Increase in share capital	24,641	–
Decrease in convertible preference shares	(19,050)	–
Decrease in share premium and reserves	(15,697)	–
Net profit for the period attributable to shareholders	95,651	86,671
Non-controlling interests (refer P.9, 3rd paragraph of Business Review)	–	9,630
	<u>1,168,442</u>	<u>968,662</u>
Total equity as at 30 June	<u><u>1,168,442</u></u>	<u><u>968,662</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW – UNAUDITED

	For the six months ended 30 June	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	<u>250,759</u>	<u>(292,871)</u>
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES	<u>(10,106)</u>	<u>(7,300)</u>
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES	<u>(534,927)</u>	<u>331,091</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(294,274)	30,920
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<u>691,887</u>	<u>376,275</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE	<u><u>397,613</u></u>	<u><u>407,195</u></u>
Represented by bank balances and cash	<u><u>397,613</u></u>	<u><u>407,195</u></u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited quarterly financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). In addition, these financial statements include applicable disclosures required by the GEM Listing Rules and by the Companies Ordinance (Cap. 622 of the Laws of the Hong Kong Special Administrative Region).

2. TURNOVER

Turnover represents net amount received and receivable for the sale of different types of Information Technology (“IT”) products, self developed products provision of professional integrated IT solutions and services and trading of consumer electronic products, net of discounts and corresponding sales related taxes. The amounts of each significant category of revenue recognised in turnover for the period are as follows:

	2014 <i>HK\$’000</i>	2013 <i>HK\$’000</i>
IT Consumer Products	5,547,244	5,422,266
IT Corporate Products	2,168,437	2,009,473
Consumer Electronic Products	190,585	1,660,785
Others	90,860	197,545
	<u>7,997,126</u>	<u>9,290,069</u>

3. SEGMENT INFORMATION

The chief operating decision maker, 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.

The Group’s reportable and operating segments are as follows:

- (a) IT Consumer Products – distribution of IT consumer products which include mainly personal computers, digital products and IT accessories.
- (b) 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.
- (c) Consumer Electronic Products – trading of consumer electronic products which include mainly liquid crystal display panels, electronic parts and components.
- (d) 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.

Segment profit represents the profit earned by each segment without allocation of bank interest expenses, unallocated income as well as head office and corporate expenses. The measure is for the purposes of resource allocation and performance assessment.

The following is an analysis of the Group's revenue and results by reportable and operating segment:

	2014				
	IT Consumer products HK\$'000	IT Corporate products HK\$'000	Consumer Electronic products HK\$'000	Others HK\$'000	Total HK\$'000
Revenue					
External sales	<u>5,547,244</u>	<u>2,168,437</u>	<u>190,585</u>	<u>90,860</u>	<u>7,997,126</u>
Segment profit	<u>197,956</u>	<u>164,382</u>	<u>918</u>	<u>(10)</u>	<u>363,246</u>
Other income					4,077
Finance costs					(37,297)
Unallocated head office and corporate expenses					<u>(200,875)</u>
Profit before tax					<u>129,151</u>
	2013				
	IT Consumer products HK\$'000	IT Corporate products HK\$'000	Consumer Electronic products HK\$'000	Others HK\$'000	Total HK\$'000
Revenue					
External sales	<u>5,422,266</u>	<u>2,009,473</u>	<u>1,660,785</u>	<u>197,545</u>	<u>9,290,069</u>
Segment profit	<u>166,961</u>	<u>160,024</u>	<u>22,738</u>	<u>3,154</u>	352,877
Other income					8,758
Finance costs					(44,494)
Unallocated head office and corporate expenses					<u>(194,168)</u>
Profit before tax					<u>122,973</u>

Geographical information

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
People's Republic of China ("PRC")	7,809,670	8,401,773
Europe	–	254,102
South America	670	190,293
Hong Kong	147,153	192,415
Africa	8,916	49,681
Middle East	19,030	15,717
Australia	4,539	18,901
Other Asian District	7,148	167,187
	<u>7,997,126</u>	<u>9,290,069</u>

4. PROFIT FROM OPERATION

The Group's profit from operation is arrived at after charging/(crediting):

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Cost of inventories sold	7,633,880	8,937,192
Depreciation	2,540	1,961
Staff cost including directors' emolument		
– Salary and related staff cost	86,625	75,937
– Retirement benefits scheme contribution	21,417	18,744
Exchange loss/(gain), net	<u>5,392</u>	<u>(6,930)</u>

5. INCOME TAX EXPENSE

Taxes of other jurisdiction have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislations, interpretations and practices in respect thereof.

Hong Kong profits tax is calculated at 16.5% (2013: 16.5%) of the estimated assessable profit for the period ended 30 June 2014 (2013: Nil).

Profits of the subsidiaries established in the PRC are subject to PRC income tax. Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

6. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months and the six months ended 30 June 2014 was based on the total comprehensive income for the period attributable to owners of the Company of HK\$35,163,000 (2013: HK\$32,638,000) for the three months ended 30 June 2014 and the total comprehensive income for the period attributable to owners of the Company of HK\$95,651,000 (2013: HK\$86,671,000) for the six months ended 30 June 2014 and on 1,454,652,000 (2013: 469,000,000) ordinary shares and 1,115,868,000 (2013: 1,877,868,000) preference shares in issue during the three months and the six months ended 30 June 2014. The convertible preference shares can be converted subject to the requirement of the public float.

As there was no diluted shares during the three months and the six months ended 30 June 2014 and 2013, the diluted earnings per share was same as basic earnings per share.

7. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of 30 to 180 days. Overdue balances are reviewed regularly by senior management. An ageing analysis of the trade receivables as at the balance sheet date, based on invoice date, is as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Within 3 months	830,377	1,734,147
4 to 6 months	130,543	253,392
7 to 12 months	119,661	169,147
Over 1 year	53,932	15,279
	<u>1,134,513</u>	<u>2,171,965</u>

8. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the balance sheet date, based on date of receipt of goods, is as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Within 3 months	1,667,548	1,033,934
4 to 6 months	44,428	157,648
7 to 12 months	6,152	301,921
Over 1 year	22,188	224,506
	<u>1,740,316</u>	<u>1,718,009</u>

DIVIDENDS

The Directors do not recommend the payment of any dividend for the period ended 30 June 2014 (2013: Nil).

BUSINESS REVIEW

In the first half of 2014, China's economy was slowing down and no significant relief to the greater downward pressure on the economy was seen. As a result, China's IT market demand still remained weak during the period under review. In 2014, in line with the economic situation and industry development trends, the Company dedicated itself to enhancing operational efficiency, optimizing product structure, as well as continuing to promote its strategic transition into a company in the service industry. In the first half of 2014, the Company's overall turnover and profit remained stable compared with the corresponding period in 2013.

On 30 July 2013, Shirley Oliver (mother of deceased Lauren Humphrey) issued a writ of summons (the "Summons") to the Superior Court of California, County of Los Angeles, against eleven parties including, among others, Apex Digital, Inc. ("Apex Digital", which is wholly-owned by Mr. David Ji Long Fen, a former executive Director and an existing shareholder of the Company) and Apex Digital, LLC (a subsidiary of the Company) (collectively known as the "Defendants"). Pursuant to the Summons, the Defendants were claimed damages against Apex Digital, LLC for wrongful death based on strict product liabilities within the United States of America ("USA"). As at the date of this announcement, the amount of damages has not been determined. The Company has engaged a USA law firm to handle this matter and further updates regarding the case will be provided by the Company from time to time as appropriate.

An acquisition (the "Acquisition") of the entire issued share capital of Wide Miracle Limited, which held 10% of the equity interest of Changhong IT Information Products Co., Ltd ("Changhong IT") prior to the Acquisition, was completed on 5 June 2014, details of which are set out in the circular of the Company dated 15 May 2014. Upon completion of the Acquisition, the non-controlling interests in Changhong IT no longer exists and their interests are aligned with the shareholders of the Company. As such, all profit generated by all the companies of the Group belong to the owners of the Company thereafter.

To enhance the trading liquidity of the shares of the Company and to promote the Company's corporate image to public investors, the Company made an application to the Stock Exchange on 28 May 2014 for the Transfer of Listing in respect of the Company from the GEM Board to the Main Board. On 12 June 2014, the Company received a letter from the Stock Exchange which stated that the Listing Committee of the Stock Exchange decided to reject the application. Thereafter, a Review Hearing of Transfer of Listing to Main Board has been scheduled. For further details, please refer to the announcements of the Company dated 28 May 2014 and 13 June 2014. Further updates will be provided by the Company from time to time as and when appropriate.

OUTLOOK

During the year 2014 and despite the slow-down, China's overall economic situation has been stabilizing. The Company will continue to promote its strategic transition into a company in the service industry, proactively explore and practise the emerging business models in relation to cloud computing, big data and mobile internet, so as to facilitate business upgrade and value enhancement. The Company will also dedicate itself to process reengineering, operational efficiency enhancement and strict cost control. The management of the Company will adhere to its established strategies, so as to bring better returns to shareholders and the Company as a whole.

LIQUIDITY AND FINANCIAL RESOURCES

For the period under review, the Group's financial and liquidity positions remained healthy and stable. As at 30 June 2014, the Group's total interest-bearing borrowings amounted to HK\$506.47 million and its cash and bank balances amounted to HK\$397.61 million. Net current assets of the Group was approximately HK\$1,153.47 million. The management is confident that the Group's financial resources is sufficient for the daily operation.

The Group's monetary assets and liabilities and transactions are principally denominated in Renminbi, Hong Kong dollars and United States dollars. As the spread of the Group's transactions being denominated in Renminbi has enlarged, although the exchange rate between Hong Kong dollars and United States dollars is pegged, the Group considers that its exposure to exchange risk may increase as a result. The Company will continue to monitor the situation and make necessary arrangement as appropriate.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2014, the total number of the Group's staff was 1,240. The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group provides retirement benefit for its employees in Hong Kong in form of mandatory provident fund, and pays social pension insurance and housing provident fund for its employees in China in accordance with the local laws and regulations.

CORPORATE GOVERNANCE

The Company endeavours to adopt prevailing best corporate governance practices. For the six months ended 30 June 2014, the Company had complied with all the code provisions set out in the Corporate Governance Code and Corporate Governance Report as contained in Appendix 15 of the GEM Listing Rules.

AUDIT COMMITTEE

The primary responsibilities of the audit committee of the Company (the “Audit Committee”) are to review and supervise the financial reporting process and internal control system of the Group. 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.

The Audit Committee has reviewed the Group’s results for the period ended 30 June 2014 and has provided advice and comments thereon.

REMUNERATION COMMITTEE

The primary responsibilities of the remuneration committee of the Company (the “Remuneration Committee”) are to review and make recommendation for the remuneration policy of the directors and senior management. The members of the Remuneration Committee are Mr. Jonathan Chan Ming Sun (chairman), Mr. Robert Ip Chun Chung, Mr. Sun Dongfeng and Mr. Zhu Jianqiu.

NOMINATION COMMITTEE

The primary responsibilities of the nomination committee of the Company (the “Nomination Committee”) are to formulate nomination policy and make recommendation to the Board on nomination and appointment of directors and board succession. The members of the Nomination Committee are Mr. Zhao Yong (chairman), Mr. Robert Ip Chun Chung, Mr. Sun Dongfeng and Mr. Jonathan Chan Ming Sun.

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

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

INTERESTS OF THE DIRECTORS IN THE COMPANY

As at 30 June 2014, none of the Directors had interests in the ordinary shares of the Company (the “Shares”), underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); 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.

During the period ended 30 June 2014, Mr. Zhu Jianqiu (“Mr Zhu”), an executive Director, was interested in the Shares as follows:

Name of Director	Capacity	Number of ordinary shares held	Approximate percentage of interest %
Mr. Zhu (<i>Note 1</i>)	Interests in a controlled corporation	82,415,762(L)	5.67

Notes:

- (1) 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 30 June 2014, none of the Directors had interests in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period under review 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 30 June 2014, the persons or companies (not being a Director or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

Long positions in shares

Name of substantial shareholder	Capacity	Class of shares	Number of shares held	Approximate percentage of interest in relevant class of shares (Notes 1) %
Sichuan Changhong Electric Co., Limited (“Sichuan Changhong”)	Interests in a controlled corporation and beneficial owner	Ordinary	1,008,368,000 (L) (Note 2)	69.32
		Preference	1,115,868,000 (L) (Note 3)	100.00
Changhong (Hong Kong) Trading Limited	Interests in a controlled corporation and beneficial owner	Ordinary	913,000,000 (L) (Note 4)	32.20
		Preference	1,115,868,000 (L) (Note 3)	100.00
Fit Generation Holding Limited	Beneficial owner	Ordinary	897,000,000 (L)	28.79
		Preference	1,115,868,000 (L)	100.00
Sichuan Investment Management Company Limited (Note 5)	Beneficial owner	Ordinary	83,009,340 (L)	5.70
Typical Faith Limited (Note 6)	Beneficial owner	Ordinary	82,415,762 (L)	5.67

Notes:

- The percentages are calculated based on the total number of Shares and preference shares of the Company in issue as at 30 June 2014, which were 1,454,652,000 and 1,115,868,000, respectively.
- 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.

3. 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.
4. 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.
5. 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.
6. Typical Faith Limited is wholly-owned by Mr. Zhu.

Save as disclosed above, as at 30 June 2014, the Directors were not aware of any other person who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 5% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

DIRECTOR'S INTEREST IN A COMPETING BUSINESS

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

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

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

The Company has adopted a code of conduct (the "Code of Conduct") with standards not lower than those required for securities transactions by directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has confirmed, after making due and specific enquiries with the Directors in accordance with the Code of Conduct, that all the Directors have complied with the standard of dealings and the Code of Conduct during the six months ended 30 June 2014.

By Order of the Board
Changhong Jiahua Holdings Limited
Zhao Yong
Chairman

Hong Kong, 13 August 2014

As at the date of this announcement, the executive Directors are Mr. Zhao Yong, Mr. Zhu Jianqiu, Mr. Yu Xiao, Mr. Tang Yun, Mr. Wu Xiangtao and Ms. Shi Ping and the independent non-executive Directors are Mr. Jonathan Chan Ming Sun, Mr. Robert Ip Chun Chung, Mr. Sun Dongfeng and Mr. Cheng Yuk Kin.

This announcement will appear on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page for 7 days from the day of its posting thereon and on the website of the Company at <http://www.changhongit.com.hk>.