



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

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 8016)

**THIRD QUARTERLY RESULTS ANNOUNCEMENT**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 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”, together with its subsidiaries, the “Group”) 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.*

## HIGHLIGHTS

The Group's consolidated turnover for the nine months period ended 30 September 2014 was slightly decreased by approximately 10.32% to HK\$12,561.66 million comparing with that for the same period in 2013. The Group achieved net profit of approximately HK\$139.13 million for the nine months ended 30 September 2014 which was decreased by approximately 2.91% comparing with that for the same period in 2013. This was due to the scale down of the Group's consumer electronic products business and the fierce competition within the industry, the complicated global economy and the sluggish market demand.

## RESULTS

The board of directors (the "Board") of the Company is pleased to announce the unaudited results of the Group for the three months period and nine months period ended 30 September 2014, together with the comparative figures for the corresponding period of 2013, as follows:

	<i>Notes</i>	<b>For three months ended 30 September</b>		<b>For nine months ended 30 September</b>	
		<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	<b>4,564,532</b>	4,716,926	<b>12,561,658</b>	14,006,995
Cost of sales		<b>(4,387,305)</b>	(4,530,732)	<b>(12,021,185)</b>	(13,467,924)
Gross profit		<b>177,227</b>	186,194	<b>540,473</b>	539,071
Other income		<b>13,046</b>	8,316	<b>17,123</b>	17,074
Administrative expenses		<b>(32,881)</b>	(33,716)	<b>(96,266)</b>	(101,355)
Distribution and selling expenses		<b>(72,845)</b>	(70,024)	<b>(210,335)</b>	(196,553)
Profit from operation		<b>84,547</b>	90,770	<b>250,995</b>	258,237
Finance cost		<b>(17,269)</b>	(28,366)	<b>(54,566)</b>	(72,860)
Profit before taxation		<b>67,278</b>	62,404	<b>196,429</b>	185,377
Income tax expense	3	<b>(23,804)</b>	(15,411)	<b>(57,304)</b>	(42,083)
Profit and total comprehensive income for the period		<b>43,474</b>	46,993	<b>139,125</b>	143,294
<b>Total comprehensive income for the period attributed to:</b>					
Owners of the Company		<b>43,474</b>	42,272	<b>130,946</b>	129,447
Non-controlling interest (refer P.6, 3rd paragraph of Business Review)		<b>–</b>	4,721	<b>8,179</b>	13,847
		<b>43,474</b>	46,993	<b>139,125</b>	143,294
<b>Earnings per share</b>					
Basic and diluted (HK cents)	4	<b>1.78</b>	1.93	<b>5.69</b>	5.91

Notes:

## 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	8,735,129	8,524,426
IT Corporate Products	3,282,589	3,240,066
Consumer Electronic Products	419,837	2,010,785
Others	124,103	231,718
	<u>12,561,658</u>	<u>14,006,995</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
<b>Revenue</b>					
External sales	<u>8,735,129</u>	<u>3,282,589</u>	<u>419,837</u>	<u>124,103</u>	<u>12,561,658</u>
<b>Segment profit</b>	<u>286,073</u>	<u>252,433</u>	<u>1,764</u>	<u>203</u>	<u>540,473</u>
Other income					9,701
Finance costs					(54,566)
Unallocated head office and corporate expenses					<u>(306,437)</u>
<b>Profit before tax</b>					<u>189,171</u>
			2013		
	IT Consumer products HK\$'000	IT Corporate products HK\$'000	Consumer Electronic products HK\$'000	Others HK\$'000	Total HK\$'000
<b>Revenue</b>					
External sales	<u>8,524,426</u>	<u>3,240,066</u>	<u>2,010,785</u>	<u>231,718</u>	<u>14,006,995</u>
<b>Segment profit</b>	<u>251,692</u>	<u>251,185</u>	<u>27,458</u>	<u>8,736</u>	539,071
Other income					17,074
Finance costs					(72,860)
Unallocated head office and corporate expenses					<u>(297,908)</u>
<b>Profit before tax</b>					<u>185,377</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")	12,244,990	12,799,723
Europe	–	297,779
South America	670	251,591
Hong Kong	274,548	290,185
Africa	8,916	74,465
Middle East	19,030	41,906
Australia	5,023	25,864
Other Asian District	8,481	225,482
	<u>12,561,658</u>	<u>14,006,995</u>

## 4. 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 September 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.

## 5. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months and nine months ended 30 September 2014 was based on the total comprehensive income for the period attributable to owners of the Company of HK\$43,474,000 (2013: HK\$42,272,000) for the three months ended 30 September 2014 and the total comprehensive income for the period attributable to owners of the Company of HK\$139,125,000 (2013: HK\$129,447,000) for the nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2014 and 2013, the diluted earnings per share was same as basic earnings per share.

## 6. RESERVES

During the period, there was no movement to and from any reserves.

## **DIVIDENDS**

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

## **BUSINESS REVIEW**

Since 2014, the growth of overall economy in the PRC has slowed down amidst complicated economic environment. The overall IT market in the PRC experiences weaker demands and the industrial landscape continues to transform at an accelerating pace. In 2014, through various business transition and appreciation through service improvement, the Group continues to advance the strategic transition into a service business from its existing business segments. In the meantime, the Group is dedicated to optimizing the procedure and organization and makes efforts to improve operational efficiency and cut down costs and expenses, eventually maintaining steady growth in IT distribution business. For the nine months ended 30 September of 2014, affected by the scale down of consumer electronic products business and issue of new shares, the Group recorded operating income of approximately HK\$12,561.66 million, decreased by approximately 10.32% as compared with the corresponding period of last fiscal year. Profit attributable to shareholders amounted to approximately HK\$139.13 million, down by 2.91% as compared with the corresponding period of last fiscal year. Basic earning per share was HK 5.69 cents, representing a decline of about HK 0.22 cents from HK 5.91 cents for the corresponding period of last fiscal year.

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. On 5 September 2014, a sale and purchase agreement was signed by the Company pursuant to which the Company agreed to dispose the entire issued share capital of Apex Honor Resources Ltd. and Apex Digital, LLC to a third party. For further details, please refer to the announcement of the Company dated 5 September 2014.

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 and been attended, the Listing Committee decided to uphold the decision after careful consideration. 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**

In the fourth quarter of 2014, whilst the economy of the PRC will still continue to face the pressure of slow down, the Company believes that the economy will however develop steadily as a whole. The Group will continue to advance the strategic transition into the service business, accelerate business upgrade and appreciation; enhance the cooperation with core brands and proactively explore cooperation mode with new channels, to ensure continuous and steady business growth; actively expand new businesses in big data and cloud computing to seek new growth momentum with an objective to create greater value for shareholders as a whole.

## **CORPORATE GOVERNANCE**

The Company endeavours to adopt prevailing best corporate governance practices. For the nine months ended 30 September 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 and there has been no deviation in relation thereto.

## **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 September 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 purchased, sold or redeemed any of the Company's listed securities.

## INTERESTS OF THE DIRECTORS IN THE COMPANY

As at 30 September 2014, 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:

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of ordinary shares held</b>	<b>Approximate percentage of interest %</b>
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 September 2014, 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 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

So far as was known to the Directors, as at 30 September 2014, 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 meeting 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

Name of substantial shareholder	Capacity	Class of shares	Number of shares held	Approximate percentage of interest in relevant class of shares (Notes 1) %
Typical Faith Limited (Note 6)	Beneficial owner	Ordinary	82,415,762 (L)	5.67

*Notes:*

1. 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.
2. 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 September 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 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 (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 nine months ended 30 September 2014.

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

Hong Kong, 17 October 2014

*As at the date of this announcement, the executive Directors 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>.*