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

(Incorporated in Bermuda with limited liability)

(Stock Code: 8016)

**(1) UPDATE ON RECENT DEVELOPMENT TO THE INVESTIGATION
REGARDING CHOD;
AND
(2) RESUMPTION OF TRADING**

This announcement is issued by the Company pursuant to Rule 17.10 of the GEM Listing Rules and the Inside Information Provisions (as defined in the GEM Listing Rules) under Part XIVA of the SFO.

UPDATE ON RECENT DEVELOPMENT TO THE INVESTIGATION REGARDING CHOD

Reference is made to the announcement of the Company dated 19 June 2015 (the “**Announcement**”) pursuant to which the Board reported that the management of the Company has recently discovered and reported to the Board that a former employee (the “**Former Employee**”) of CHOD, a wholly owned subsidiary of the Company, has misappropriated certain assets of CHOD (the “**Incident**”). The Former Employee was a business manager of CHOD responsible for the trading business of CHOD, and save for his position as a business manager of CHOD, the Former Employee held no other position in other subsidiaries of the Group. Unless otherwise defined herein, capitalized terms used in this announcement shall have the same meanings as ascribed to it in the Announcement.

As stated in the Announcement, upon the Incident being first discovered by CHOD and reported to the Company on 14 June 2015, CHOD had as soon as practicable reported the Incident to the Hong Kong Police on the same date. Both the Company and CHOD are cooperating with the Hong Kong Police in the investigation. Subsequently, on 16 June 2015, certain purported suppliers of CHOD had made visits to the office of CHOD to seek for outstanding payments, which CHOD had also reported to the Hong Kong Police on the same date. The Board wishes to inform Shareholders and potential investors of the Company that, upon further investigation following the initial discovery of the Incident and based on the facts and information currently available to the Company, it is suspected that the Former Employee may have entered into sales and purchases with the customers and suppliers of CHOD unauthorised by the board of directors of CHOD and forged documents in the name of CHOD.

Based on the fact findings and investigations conducted by the Company and the Independent Committee so far, including but not limited to, (a) comprehensive review and reconciliations of claims and invoices from the Group's customers and suppliers and the Group's internal records; (b) review of relevant transaction documents; and (c) discussions and confirmation from each of the directors and senior management of the Group, the Board believes that: (a) no director or personnel of the Company or any of its other subsidiaries (excluding the Former Employee) was involved in the Incident. The Incident was an isolated incident occurring only at the level of CHOD, which at all material times do not relate to the principal business of the Company and its subsidiaries; and (b) the maximum estimated loss accruing to CHOD as a result of the Incident should not exceed HK\$80 million (including loss accrued that are subject to final verification and confirmation). The estimate losses is expected to be mainly attributable to (i) bad debt losses expected to be recorded by CHOD as a result of the Former Employee's prior sales of stolen goods and misappropriation of money of CHOD, in the amount of approximately HK\$57 million based on the oral statement made by the Former Employee and verification made between CHOD with the purported customers; and (ii) loss in the amount of approximately HK\$23 million as a result of the unauthorised sales and purchases of goods made by the Former Employee in the name of CHOD. The aforementioned loss amount is being further verified by CHOD.

The above maximum estimated losses represents approximately 1.77%, 6.31% and 43.10% of the Group's total assets, net assets and net profits for the year ended 31 December 2014, respectively. As at the date of this announcement, the unaudited net assets of CHOD (without provision for any of the losses referred to above) is approximately HK\$6,410,000 and the outstanding dividend payment payable by CHOD to the Company amounted to approximately HK\$25,160,000.

Further, since the date of the Announcement, the Independent Committee has appointed, Deloitte & Touche Financial Advisory Services Limited (德勤財務諮詢服務有限公司) (the "**Independent Accountant**"), an independent forensic accountant to perform the independent review and/or investigation to circumstances of the Incident (the "**Independent Review**"). The scope of the Independent Review includes, among other things, (i) performing enquiries into matters relating to the Incident; (ii) collecting facts or information relevant for the purpose of assessing the impact of the suspected wrongdoings surrounding the Incident on the financial position of CHOD; and (iii) conducting computer forensic investigation, if necessary. As at the date of this announcement, the Independent Accountant has commenced the Independent Review which is on-going and further announcement will be made by the Company when the report on the Independent Review is available.

The Company will consult with its auditors on the impact to the financial statements of the Group upon the completion of the Independent Review from the Independent Accountant.

The Board wishes to emphasise to the Shareholders and potential investors of the Company that (i) the Incident has no material impact to the daily operation of the principal business of the Group, and the operation of the Group (excluding CHOD) remains unaffected by the Incident; and (ii) no guarantee, warranty or advance in any form has been made by the Company in favour of the CHOD's operations.

The Board will continue to regularly inquire the development of the Independent Review and re-assess its impact on the operation and financial situation of the Group from time to time. Save as disclosed in this announcement, the Company has no other information that it is required to disclose pursuant to the Inside Information Provisions (as defined in the GEM Listing Rules) under Part XIVA of the SFO as at the date of this announcement. The Board will update the Shareholders and potential investors with respect to any further developments concerning the Investigation as and when appropriate.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares of the Company on the Stock Exchange has been suspended from 10:57 a.m. on 15 June 2015 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the shares of the Company with effect from 9:00 a.m. on 21 July 2015.

This announcement is made by the order of the Company. The Board collectively and individually accepts responsibility for the accuracy of this announcement.

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

Hong Kong, 20 July 2015

As at the date of this announcement, the executive directors of the Company 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 of the Company are Mr. Jonathan Chan Ming Sun, Mr. Robert Ip Chun Chung, Mr. Sun Dongfeng and Mr. Cheng Yuk Kin.

This announcement, for which the Directors of 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 of Hong Kong Limited 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.

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.changhongit.com.hk>.