



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

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 8016)

**2015 FIRST QUARTERLY RESULTS ANNOUNCEMENT**  
**FOR THE PERIOD ENDED 31 MARCH 2015**

**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.**

*Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

*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.*

## HIGHLIGHTS

The unaudited consolidated turnover of the Company (together with its subsidiaries, the “Group”) for the three months period ended 31 March 2015 decreased by approximately 12.40% to HK\$3,900.39 million as compared with the corresponding period in 2014, which was primarily due to keen competition in the consumer electronic industry and information technology (“IT”) distribution business. For the three months period ended 31 March 2015, the Group recorded a net profit of approximately HK\$48.26 million, representing a decrease of approximately 20.21% as compared with the corresponding period in 2014. The Directors believe that the first quarterly results for the three months ended 31 March 2015 was the normal fluctuation of the business operations of the Group.

## RESULTS

The board of directors (the “Board”) of the Company is pleased to announce the unaudited consolidated results of the Company for the three months period ended 31 March 2015, together with the comparative figures for the corresponding period of last year, as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the three months ended 31 March 2015*

	<i>Notes</i>	<b>2015</b> <b>HK\$'000</b> <b>(unaudited)</b>	2014 <i>HK\$'000</i> <i>(unaudited)</i>
<b>Turnover</b>	2	<b>3,900,394</b>	4,452,460
Cost of sales		<b>3,724,930</b>	(4,258,759)
<b>Gross profit</b>		<b>175,464</b>	193,701
Other income		<b>1,355</b>	2,868
Distribution and selling expenses		<b>(70,613)</b>	(64,526)
Administrative expenses		<b>(29,330)</b>	(28,002)
Profit from operation		<b>76,876</b>	104,041
Finance costs		<b>(11,793)</b>	(23,617)
<b>Profit before taxation</b>		<b>65,083</b>	80,424
Income tax expense	4	<b>(16,820)</b>	(19,936)
<b>Profit for the period</b>		<b>48,263</b>	60,488
<b>Profit for the period attributed to:</b>			
<b>Owners of the Company</b>		<b>48,263</b>	54,331
<b>Non-controlling interest</b>		<b>–</b>	6,157
		<b>48,263</b>	60,488
<b>Earnings per share</b>	5		
Basic and diluted		<b>1.88 cents</b>	2.32 cents

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 Hong Kong Companies Ordinance (Cap. 622).

## 2. TURNOVER

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

Turnover represents net amount received and receivable for the sale of different types of IT products, self developed products, provision of professional integrated IT solutions and services and 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 ended 31 March 2015 and 2014 are as follows:

	<b>2015</b>	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
IT Consumer Products	<b>2,605,398</b>	3,244,003
IT Corporate Products	<b>1,090,563</b>	1,052,482
Consumer Electronic Products	<b>84,189</b>	101,649
Others	<b>120,244</b>	54,326
	<b>3,900,394</b>	4,452,460

## 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’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 (“PC”), 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 (“IBMS”) products and unified communication and contact centre (“UC & CC”) products.
- (c) Consumer Electronic Products – trading of consumer electronic products which include mainly liquid crystal display (“LCD”) 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:

	<b>IT Consumer Products HK\$'000</b>	<b>IT Corporate Products HK\$'000</b>	<b>2015 Consumer Electronic Products HK\$'000</b>	<b>Others HK\$'000</b>	<b>Total HK\$'000</b>
<b>Revenue</b>					
External sales	<u>2,605,398</u>	<u>1,090,563</u>	<u>84,189</u>	<u>120,244</u>	<u>3,900,394</u>
<b>Segment profit</b>	<u>41,051</u>	<u>63,923</u>	<u>374</u>	<u>1,059</u>	<u>106,407</u>
Other income					1,355
Finance costs					(11,793)
Unallocated head office and corporate expenses					<u>(30,886)</u>
<b>Profit before tax</b>					<u>(65,083)</u>
	<b>IT Consumer Products HK\$'000</b>	<b>IT Corporate Products HK\$'000</b>	<b>2014 Consumer Electronic Products HK\$'000</b>	<b>Others HK\$'000</b>	<b>Total HK\$'000</b>
<b>Revenue</b>					
External sales	<u>3,244,003</u>	<u>1,052,482</u>	<u>101,649</u>	<u>54,326</u>	<u>4,452,460</u>
<b>Segment profit</b>	<u>53,932</u>	<u>71,208</u>	<u>909</u>	<u>1,295</u>	<u>127,344</u>
Other income					2,868
Finance costs					(23,617)
Unallocated head office and corporate expenses					<u>(26,171)</u>
<b>Profit before tax</b>					<u>80,424</u>

## Geographical information

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
People's Republic of China ("PRC")	3,853,127	4,322,193
Europe	2,538	–
South America	1,103	670
Hong Kong	42,088	100,200
Africa	–	8,916
Middle East	–	10,459
Australia	1,538	5,806
Other Asian District	–	4,216
	<u>3,900,394</u>	<u>4,452,460</u>

## 4. INCOME TAX EXPENSE

Taxes on profits assessable elsewhere 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.

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong for the period ended 31 March 2015.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rates of the Company's PRC subsidiaries is 25% for the period ended 31 March 2015.

The Group did not have any significant unprovided deferred tax liabilities (including withholding tax) in respect of the period.

## 5. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to owners of the Company for the period of HK\$48.26 million (2014: HK\$54.33 million), and the weighted average number of 2,570,520,000 (2014: 2,346,868,000) ordinary shares and convertible preference shares in issue during the period. The difference of two figures is due to the completion of share capital acquisition from Wide Miracle Limited on 5 June 2014 where the dilutive share base is not the same. Up to the date of this announcement, there were 1,115,868,000 convertible preference shares which can be converted subject to the requirement of the public float.

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

## 6. RESERVES

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

## **DIVIDENDS**

The Directors do not recommend the payment of any dividend for the period ended 31 March 2015 (2014: Nil).

## **AUDIT COMMITTEE**

The audit committee of the Company has reviewed the Group's unaudited results for the period ended 31 March 2015 and has provided advice and comments thereon.

## **BUSINESS REVIEW**

In the first quarter of 2015, the economy of the PRC was under downward pressure amidst the slowdown of recovery of global economy and weaker domestic demand. In 2015, to actively meet the challenges from adverse economic situation and industry changes, the Group, by adhering to the guideline of “exploring new ways, expanding the market territory through the internet platform, and offering a quality service to partners”, continued to accelerate its strategic transition into a company in the service industry. In the first quarter of 2015, the Group carried out close and extensive cooperation with core brands to expand the space for its business development, actively explored new internet business models and developed an online marketing platform, while continuing to invest in the fields of cloud computing and big data solutions, with an aim to enhance its technical capabilities and business value.

In the first quarter of 2015, the IT corporate products distribution business maintained its growth, while a downward trend was seen in IT consumer products distribution business, and consumer electronic products business continued to scale down. The Group recorded revenue of approximately HK\$3,900.39 million, representing a decrease of approximately 12.40% as compared with that in the corresponding period of 2014. During the three months ended 31 March 2015, the Group focused on cost control, and maintained a stable level of overall gross margin of 4.50%, representing an increase of approximately 3.45% as compared with that in the corresponding period of the last financial year. In the first quarter of 2015, profit attributable to shareholders of the Company amounted to approximately HK\$48.26 million, representing a decrease of approximately 11.17% as compared with that in the corresponding period of the last financial year, and basic earnings per share amounted to HK1.88 cents, representing a decrease of approximately HK0.44 cents as compared with HK2.32 cents in the corresponding period of 2014.

The analysis of four reportable and operating segments (refer to note 3) of the Company for the three months ended 31 March 2015 are as following:

**IT consumer products distribution business:** amid the continuously lackluster IT consumer product market and keen competition, the Group strengthened its cooperation with dominant brands and new channels to maintain stable market share. Affected by the market downturn, the turnover of this business fell by approximately 19.69% to HK\$2,605.40 million as compared with the corresponding period of last year, and the profit of it decreased by approximately 23.88% to HK\$41.05 million.

**IT corporate products distribution business:** the Group continued to improve its business layout in the fields of comprehensive services such as big data and cloud computing, committed to the integration and promotion of industry solutions, technology solutions and proprietary equipments. The Group actively seized the localization business opportunities to steadily accelerate the establishment of business system for its own brands. The turnover of this business of the Group increased by approximately 3.62% to HK\$1,090.56 million as compared with the corresponding period of last year, and the profit of it decreased by approximately 9.98% to HK\$63.92 million.

**Consumer electronic products business:** the turnover of this business decreased by approximately 17.18% to HK\$84.9 million as compared with the corresponding period of last year. Due to contraction of business by the Group, the profit of it decreased by approximately 58.86% to HK\$374,000.

**Other business:** the turnover of this business increased by approximately 121.34% to HK\$120.24 million as compared with the corresponding period of last year, and the profit of it decreased by approximately 18.22% to HK\$1.06 million principally due to keen competition in the market.

On 26 March 2015, a financial services agreement was entered into between Changhong IT Information Products Co., Ltd, a wholly owned subsidiary of the Company and Sichuan Changhong Group Finance Co., Limited which constituted a non-exempt continuing connected transactions and major transaction of the Company and were subject to the reporting, annual review, announcement and independent shareholders' approval requirement. A circular containing further details about the financial service agreement and notice of general meeting will be despatched to the shareholders in due course. For further details, please refer to the announcement of the Company dated 26 March 2015.

On 27 March 2015, the Board proposed to reduce the entire amount (ie. HKD2,095,051,680) standing to the credit of the share premium account to zero balance and to transfer the credit to the contributed surplus account of the Company. The proposal was conditional subject to approval at the annual general meeting of the Company. For further details, please refer to the announcement of the Company dated 27 March 2015.

## OUTLOOK

In the next three quarters of 2015, the Directors expect that the PRC economy will continue to maintain weak in momentum due to the uncertainty over global economy recovery. Adhering to the operating principle of “exploring new ways, expanding the market territory through the internet platform, and offering a quality service to partners”, the Group will continue to strengthen its strategic cooperation with core brands to explore new domains for added value; accelerate the establishment of online marketing platform to explore new markets under the innovative internet business model; and continue to develop more professional solutions and core technologies in the fields of big data and cloud computing so as to enhance its market competitiveness and expand industry coverage. Looking forward, while keeping on consolidating its distribution business, the Group will make efforts to explore and develop new business models and service value, seek new growth momentum, and improve its comprehensive service capabilities in order to achieve better results.

## 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 31 March 2015, the interests or short positions of the Directors and chief executives of the Company in the ordinary shares of the Company (the “Shares”), underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the “SFO”)) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be recorded 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 Jianqiu (“Mr. Zhu”) ( <i>Note a</i> )	Interest in a controlled corporation	82,415,762 (L)	5.67%

Note:

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



Save as disclosed in this paragraph, as at 31 March 2015, none of the Directors or chief executives of the Company had interests in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be recorded 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 31 March 2015, the persons or companies (not being a Director or chief executive of the Company) whose interests in the Shares or underlying Shares or debentures of the Company which would fall to be disclosed or were notified to the Company and the Stock Exchange pursuant to the positions under Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO or who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

### **Long positions in Shares**

<b>Name of substantial shareholder</b>	<b>Capacity</b>	<b>Class of shares</b>	<b>Number of shares held</b>	<b>Approximate percentage of interest in relevant class of shares (Notes a) %</b>
Sichuan Changhong Electric Co, Limited ("Sichuan Changhong")	Interest of controlled corporation and beneficial owner	Ordinary	1,008,368,000 (L) (Note b)	69.32
		Preference	1,115,868,000 (L) (Note c)	100.00
Changhong (Hong Kong) Trading Limited	Interest of controlled corporation and beneficial owner	Ordinary	913,000,000 (L) (Note d)	62.76
		Preference	1,115,868,000 (L) (Note c)	100.00

Name of substantial shareholder	Capacity	Class of shares	Number of shares held	Approximate percentage of interest in relevant class of shares (Notes a) %
Fit Generation Holding Limited	Beneficial owner	Ordinary	897,000,000 (L)	61.66
		Preference	1,115,868,000 (L)	100.00
Sichuan Investment Management Company Limited (Note e)	Beneficial owner	Ordinary	83,009,340 (L)	5.70
Typical Faith Limited (Note f)	Beneficial owner	Ordinary	82,415,762 (L)	5.67

*Notes:*

- (a) The percentages are calculated based on the total number of Shares and preference shares of the Company in issue as at 31 March 2015, which were 1,454,652,000 and 1,115,868,000, respectively.
- (b) Of the 1,008,368,000 Shares held by Sichuan Changhong, 95,368,000 Shares were held directly, 16,000,000 Shares were held through its wholly-owned subsidiary, Changhong (Hong Kong) Trading Limited and 897,000,000 Shares were held through Fit Generation Holding Limited, which is wholly owned by Changhong (Hong Kong) Trading Limited.
- (c) 1,115,868,000 preference shares were held by Fit Generation Holding Limited, which is wholly owned by Changhong (Hong Kong) Trading Limited, which is a wholly-owned subsidiary of Sichuan Changhong.
- (d) Of the 913,000,000 Shares, 16,000,000 Shares were held directly and 897,000,000 Shares were held through Fit Generation Holding Limited.
- (e) Upon completion the acquisition of the entire issued share capital of Wide Miracle Limited on 5 June 2014, Sichuan Investment Management Company Limited ceased to be a connected person of the Company and its shareholding in the Company is counted towards public float.
- (f) Typical Faith Limited is wholly-owned by Mr. Zhu.

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

## **DIRECTOR'S INTEREST IN A COMPETING BUSINESS**

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

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

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

The Company has adopted a code of conduct regarding securities transactions by Directors (the "Code of Conduct") as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct for securities transactions. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standards set out in the Code of Conduct throughout the three months period ended 31 March 2015.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

To the best knowledge of the Board, the Company had complied with the Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules throughout the three months period ended 31 March 2015.

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

Hong Kong, 17 April 2015

*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>.*