THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Changhong Jiahua Holdings Limited ("**Company**"), you should at once hand this circular and the accompanying form of proxy to the purchaser, the transferee, the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.

长虹佳华

CHANGHONG IT

CHANGHONG JIAHUA HOLDINGS LIMITED
(長虹佳華控股有限公司)

(Incorporated in Bermuda with limited liability)

(Stock Code: 8016)

MAJOR AND CONNECTED TRANSACTION IN RELATION TO PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF WIDE MIRACLE LIMITED AND NOTICE OF SPECIAL GENERAL MEETING

Financial Adviser to the Company

SWS

Shenyin Wanguo Capital (H.K.) Limited

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

REORIENT 瑞東

REORIENT Financial Markets Limited

A notice convening the special general meeting of the Company to be held at Unit 3701, 37/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong at 10:30 a.m. on Thursday, 5 June 2014 is set out on pages 69 to 70 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof to the office of the Company's branch share registrar and transfer office in Hong Kong, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

15 May 2014

CONTENTS

CHARACTERISTICS OF GEM

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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"Acquisition"	the acquisition of the Sale Shares by Changhong (Hong Kong) Enterprises pursuant to the terms of the SP Agreement
"Announcement"	the announcement of the Company dated 21 April 2014 in relation to the Acquisition
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
"Changhong (Hong Kong) Enterprises"	Changhong (Hong Kong) Enterprises Limited, a limited liability company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company, the purchaser of the Sale Shares under the SP Agreement
"Changhong IT"	Changhong IT Information Products Co., Ltd, a company established under the laws of the PRC, of which the equity interest is held as to 90% by Changhong (Hong Kong) Enterprises and 10% by Wide Miracle
"Company"	Changhong Jiahua Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on GEM
"Completion"	completion of the Acquisition in accordance with the provisions of the SP Agreement
"Completion Date"	the date on which Completion is to take place
"Conditions Precedent"	conditions precedent to the completion of the SP Agreement
"connected person(s)"	has the meaning ascribed thereto in the GEM Listing Rules
"Consideration"	the total consideration of HK$223,652,000 payable by the Company to the Vendors for the Acquisition
"Consideration Shares"	the 223,652,000 new Shares to be allotted and issued, credited as fully paid, by the Company to the Vendors (or as they may direct) to satisfy the Consideration

"Convertible Preference Shares"	the non-redeemable restricted voting convertible preference shares allotted and issued by the Company
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Group and Wide Miracle after Completion
"Fit Generation"	Fit Generation Holding Limited, a company incorporated in the British Virgin Islands, of which the entire share capital is held by Changhong (Hong Kong) Trading Limited, which is a wholly-owned subsidiary of Sichuan Changhong
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee of the Board comprising all the independent non-executive Directors to advise the independent Shareholders on the terms of the SP Agreement and the transactions contemplated thereunder
"Latest Practicable Date"	9 May 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Management Team Owners"	the members of the management team of Changhong IT (comprising 401 employees), being the beneficial owners of the 6.315% equity interests in Changhong IT immediately before the date of the SP Agreement
"Mr. Dong"	Mr. Dong Qiang
"Mr. Zhu"	Mr. Zhu Jianqiu, an executive Director
"Ms. Su"	Ms. Su Huiqing
"Orient Axis"	Orient Axis Limited, a limited liability company incorporated in the British Virgin Islands and is wholly-owned by Mr. Dong
"PRC"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan

"Real Oasis"	Real Oasis Limited, a limited liability company incorporated in the British Virgin Islands and is wholly-owned by Ms. Su
"REORIENT"	REORIENT Financial Markets Limited, the independent financial adviser to the Independent Board Committee and the independent Shareholders, a corporation licensed under the SFO to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) activities
"Sale Shares"	the 10,000 ordinary shares of HK$0.2 each in the capital of Wide Miracle, being its entire issued share capital, of which Typical Faith, Real Oasis and Orient Axis owned 36.85%, 31.58% and 31.57% respectively as at the date of the SP Agreement and the Latest Practicable Date
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be held at 10:30 a.m. on Thursday, 5 June 2014 for the purpose of considering, and if thought fit, approving the Acquisition as contemplated under the SP Agreement, the notice of which is set out in this circular
"Shareholder(s)"	shareholder(s) of the Company
"Share(s)"	ordinary share(s) of the Company of HK$0.025 each
"Sichuan Changhong"	Sichuan Changhong Electric Co., Limited, a company established under the laws of the PRC with limited liability, the issued A-shares of which are listed on the Shanghai Stock Exchange (stock code: 600839.SH) and owns, together with its wholly-owned subsidiaries, 52.53% of the Company
"SP Agreement"	the sale and purchase agreement dated 21 April 2014 entered into between Changhong (Hong Kong) Enterprises and the Vendors in relation to the Acquisition
"Specific Mandate"	the specific mandate to be sought at the SGM to authorise the Directors to allot and issue the Consideration Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Typical Faith"	Typical Faith Limited, a limited liability company incorporated in the British Virgin Islands and is wholly-owned by Mr. Zhu

"Vendors"	Typical Faith, Real Oasis and Orient Axis
"Wide Miracle"	Wide Miracle Limited, a limited liability company incorporated in the British Virgin Islands, was owned as to 36.85%, 31.58% and 31.57% by Typical Faith, Real Oasis and Orient Axis, respectively, and owned 10% of the equity interest of Changhong IT as at the Latest Practicable Date
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"%"	per cent.

CHANGHONG JIAHUA HOLDINGS LIMITED
(長虹佳華控股有限公司)

(Incorporated in Bermuda with limited liability)

(Stock Code: 8016)

Executive Directors:
Mr. Zhao Yong
Mr. Zhu Jianqiu
Mr. Yu Xiao
Mr. Tang Yun
Mr. Wu Xiangtao
Ms. Shi Ping
Mr. Xiang Chao Yang

Independent non-executive Directors:
Mr. Jonathan Chan Ming Sun
Mr. Robert Ip Chun Chung
Mr. Sun Dongfeng
Mr. Cheng Yuk Kin

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head office and principal place of business in Hong Kong:
Unit 3701, 37/F, West Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

15 May 2014

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF WIDE MIRACLE LIMITED

INTRODUCTION

Reference is made to the Announcement.

The Company entered into the SP Agreement with the Vendors pursuant to which Changhong (Hong Kong) Enterprises has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell the Sale Shares, representing the entire issued share capital of Wide Miracle, for a Consideration of HK$223,652,000. Subject to the fulfilment of the Conditions Precedent as detailed below, the Consideration will be satisfied by the Company allotting and issuing, credited as fully paid, 223,652,000 Consideration Shares at an issue price of HK$1.00 each to the Vendors (or such other persons as nominated by the Vendors).

The purpose of this circular is to give you, among other matters, (i) further information on the Acquisition; (ii) a letter of advice from REORIENT regarding the Acquisition; (iii) a letter of recommendation from the Independent Board Committee regarding the Acquisition; (iv) the notice convening the SGM; and (v) other information as required under the GEM Listing Rules.

THE SP AGREEMENT

Major terms of the SP Agreement are set out below:

Date:

21 April 2014

Parties:

(1)	Purchaser	:	Changhong (Hong Kong) Enterprises	
(2)	Vendors	:	(i)	Typical Faith;
			(ii)	Real Oasis; and
			(iii)	Orient Axis.

Assets to be acquired:

The Vendors have conditionally agreed to sell, and Changhong (Hong Kong) Enterprises has conditionally agreed to purchase, the Sale Shares free from all encumbrances for an aggregate consideration of HK$223,652,000. The Sale Shares represent the entire issued share capital of Wide Miracle, which owns 10% of the equity interest in Changhong IT and, of which 36.85%, 31.58% and 31.57% of the issued share capital is owned by Typical Faith, Real Oasis and Orient Axis, respectively.

Consideration:

The Consideration for the Sale Shares is HK$223,652,000, which will be satisfied by the allotment and issue, credited as fully paid, of 223,652,000 Consideration Shares at an issue price of HK$1.00 per Consideration Share by the Company to the Vendors (or their respective nominee(s)) at Completion in the proportion set out below:

Names (or their respective nominee(s))	Number of Consideration Shares
Typical Faith	82,415,762
Real Oasis	70,629,302
Orient Axis	70,606,936

The Consideration and the issue price of HK$1.00 per Consideration Share were determined among the parties after arm's length negotiations with reference to, among other matters, the acquisition by the Company of the 90% of the equity interest in Changhong IT on 22 January 2013 (the "**Previous Acquisition**"), whereby the Company allotted and issued to Fit Generation as vendor (i) 135,000,000 Shares at an issue price of HK$1.00 each; and (ii) 1,877,868,000 Convertible Preference Shares at an issue price of HK$1.00 each to settle the aggregate consideration of HK$2,012,868,000 (the "**Previous Consideration**") on the same day.

In determining the Consideration, the Company took into account the following:

(a) The Consideration is based on the same implied valuation as the Previous Acquisition (i.e. HK$2,012,868,000 ÷ 90% x 10%). The issue price of the Consideration Shares is also the same as the issue price of the consideration shares and the issue price and conversion price of the Convertible Preference Shares under the Previous Acquisition;

(b) Like the Previous Consideration, the Consideration will be settled in kind and not in cash; and

(c) Based on the closing price per Share of HK$1.74 on the last trading day of 28 March 2012 before the announcement regarding the Previous Acquisition and the closing price per Share of HK$1.5 on 17 April 2014, being the last trading day preceding the date of the SP Agreement respectively, the value of the consideration given for the Previous Acquisition is approximately HK$3,502.4 million and the value of the consideration given for the Acquisition is approximately HK$335.5 million; which translates into an approximately 14% decrease in the implied valuation of Changhong IT from approximately HK$3,892 million for the Previous Acquisition to approximately HK$3,355 million for the Acquisition. During the same period of time, the net profits of Changhong IT decreased by about 16%.

In the circumstances, the Board considers that the Consideration is fair and reasonable, and the settlement of the Consideration by the allotment and issue of the Consideration Shares is beneficial to the Company and the Shareholders as a whole.

Conditions Precedent:

Completion is conditional upon, among others, Fit Generation having converted not less than 762,000,000 Convertible Preference Shares into Shares on or before Completion, Changhong (Hong Kong) Enterprises being satisfied with the results of the due diligence review of, among other things, the business, legal and financial aspects of Wide Miracle, and all necessary consents and approvals in relation to the transactions contemplated under the SP Agreement, having been obtained by the Company and such consents and approvals should be valid up to the Completion Date, including, but not limited to, (i) the passing of the ordinary resolution by the independent Shareholders at the SGM approving the Acquisition and the allotment and issue of the Consideration Shares; and (ii) the approval by the Stock Exchange for the listing of, and permission to deal, in the Consideration Shares.

Conversion of more than 762,000,000 Convertible Preference Shares into Shares at Completion is conditional upon the Company complying with the relevant GEM Listing Rules as regards public float requirements.

If the Condition Precedents have not been fulfilled or waived on or before 5:00 p.m. on 31 July 2014 (or such later date as Changhong (Hong Kong) Enterprises and the Vendors may agree in writing), the SP Agreement shall be terminated. All provisions (save as the survival clauses in relation to notice and miscellaneous matters) of the SP Agreement shall cease to be enforceable and the obligations of the parties thereunder shall cease and terminate. No party shall have any claim against the other save for the claim in respect of any antecedent breach of the SP Agreement.

None of the Conditions Precedent had been fulfilled as at the Latest Practicable Date.

Completion:

Completion of the SP Agreement will take place on the 5th Business Day after the fulfillment of all Conditions Precedent (or such later date as Changhong (Hong Kong) Enterprises and the Vendors may agree in writing). Changhong (Hong Kong) Enterprises has the right not to proceed with the Acquisition in the event that the sale of all the Sale Shares are not completed simultaneously.

Consideration Shares:

The 223,652,000 Consideration Shares represent (i) approximately 47.69% of the existing issued ordinary share capital of the Company as at the Latest Practicable Date; and (ii) approximately 15.38% of the issued ordinary share capital of the Company as enlarged by allotment and the issue of the Consideration Shares and assuming that Fit Generation has converted 762,000,000 Convertible Preference Shares into Shares.

The issue price of HK$1.00 per Consideration Share represents:

(a) a discount of approximately 33.3% to the closing price of HK$1.5 per Share as quoted on the Stock Exchange on the last trading day preceding the date of the SP Agreement;

(b) a discount of approximately 29.7% to the average closing price of HK$1.422 per Share for the last five trading days up to and including the last trading day preceding the date of the SP Agreement;

(c) a discount of approximately 27.6% to the average closing price of HK$1.381 per Share for the last 10 trading days up to and including the last trading day preceding the date of the SP Agreement;

(d) a discount of approximately 28.6% to the closing price of HK$1.4 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;

(e) a discount of approximately 52.4% to the net asset value attributable to Shareholders per Share of HK$2.10 based on the audited consolidated net asset value of the Group as at 31 December 2013 of approximately HK$983,274,000 and 469,000,000 Shares in issue as at the Latest Practicable Date; and

(f) a premium of approximately 138.1% over the net asset value attributable to Shareholders per Share of HK$0.42 based on the audited consolidated net asset value of the Group as at 31 December 2013 of approximately HK$983,274,000 and an aggregate of 2,346,868,000 Shares and Convertible Preference Shares in issue as at the Latest Practicable Date.

The Consideration Shares will be allotted and issued by the Company pursuant to the Specific Mandate to be sought at the SGM. Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares to be allotted and issued shall rank pari passu among themselves and with all Shares in issue on the Completion Date.

Pursuant to the deed of trust and confirmation dated on the date of the SP Agreement entered into between each of the Management Team Owners and Real Oasis or Orient Axis (as the case may be), each of the Management Team Owners has acknowledged that all his or her beneficial interest in Changhong IT is now with Wide Miracle and in consideration thereof, Real Oasis or Orient Axis (as the case may be) will hold on trust the relevant Consideration Shares and all dividends and entitlements (including voting right) accrued or to accrue upon such Consideration Shares for each of the Management Team Owners. As at the Latest Practicable Date, the Management Team Owners (comprising 401 employees) and Mr. Zhu were beneficially interested in 63.15% and 36.85% of the issued share capital of Wide Miracle respectively.

The Directors consider that the terms of the issue of the Consideration Shares are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON WIDE MIRACLE

Wide Miracle is a company incorporated in the British Virgin Islands with limited liability. It is an investment holding company and holds 10% of the equity interest in Changhong IT, an indirect 90%-owned subsidiary of the Company.

Changhong IT is owned as to 90% by Changhong (Hong Kong) Enterprises and 10% by Wide Miracle. It is principally engaged in the distribution of IT consumer products (including personal computers, digital products and IT accessories) and IT corporate products (including storage products, minicomputers, network products, PC servers, IBMS products and UC&CC products) in the PRC.

Set out below is certain audited financial information of Wide Miracle prepared in accordance with the Hong Kong Financial Reporting Standards for the period from 9 May 2013 (being the date of its incorporation) to 31 December 2013:

	From 9 May 2013 to 31 December 2013
	HK$'000
Turnover	Nil
Loss before taxation	8
Loss after taxation	8

	As at 31 December 2013
	HK$'000
Net assets	82,217

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the distribution of IT consumer products and corporate products. Each of the Vendors is an investment holding company.

Upon Completion, the Company's interests in Changhong IT will increase from 90% to 100%. As such, Changhong IT will become a wholly-owned subsidiary of the Company and its financial statements will be fully consolidated into the financial statements of the Company. From the financial perspective, the Group's consolidated results and net asset value attributable to Shareholders will increase accordingly since 100% instead of 90% interests in Changhong IT will be accounted for and the non-controlling interests in Changhong IT will no longer exist as a result of the Acquisition.

Furthermore, the Board considers that the Acquisition rationalises the shareholding structure of the Group by taking the non-controlling interests in Changhong IT to the level of the Company so that their interests can be aligned with those of the Shareholders at the same level, which is beneficial to the Company in terms of carrying out its dividend policy and managing other interests of the Shareholders. The Directors consider that such rationalisation makes good sense since the interests of the Management Team Owners will be subject to the performance of the Shares on the open market, which should incentivize them to contribute to the Group and enhance their productivity.

The Board also considers that the allotment and issue of the Consideration Shares is fair and reasonable despite its dilutive impact on the existing shareholdings since it is relatively faster, more straightforward, interest-free and gearing-free as compared to alternatives, such as debt financing and a rights issue, which will take the Company a longer period of time to negotiate terms and execute the whole process prior to completion.

In light of (i) the fair and reasonableness of the Consideration as considered by the Directors in the section headed "The SP Agreement – Consideration" in this letter; (ii) the issue price of each Consideration Share is the same as the issue price of each new Share and each Convertible Preference Share for satisfying the Previous Consideration; and (iii) the issue of the Consideration Shares to satisfy the Consideration does not involve any significant cash outlay from the Company's perspective, the Directors are of the view that the SP Agreement and the terms of the SP Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

CHANGE IN SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structures of the Company as at the Latest Practicable Date and immediately after Completion are set out below:

Shareholders	**As at the Latest Practicable Date**		**Immediately after Completion**	
	No. of Shares	*%*	*No. of Shares*	*%*
Sichuan Changhong *(Note 1)*	246,368,000	52.53	1,008,368,000	69.32
Typical Faith *(Note 2)*	–	–	82,415,762	5.67
Sichuan Investment Management Company Limited *(Note 3)*	83,009,340	17.70	83,009,340	5.70
Real Oasis *(Note 4)*	–	–	70,629,302	4.86
Orient Axis *(Note 5)*	–	–	70,606,936	4.85
Existing public Shareholders	139,622,660	29.77	139,622,660	9.60
Public Shareholders	139,622,660	29.77	363,868,238	25.01
	469,000,000	100.00	1,454,652,000	100.00

Notes:

1. Such shareholding is held by Sichuan Changhong and two of its wholly-owned subsidiaries, namely Changhong (Hong Kong) Trading Limited and Fit Generation. It is assumed that Fit Generation will convert 762,000,000 Convertible Preference Shares into Shares upon Completion.

2. Typical Faith is wholly-owned by Mr. Zhu, an executive Director.

3. Sichuan Investment Management Company Limited, which held more than 10% of the issued share capital of the Company, was a connected person of the Company as at the Latest Practicable Date. Upon Completion, it will cease to be a connected person of the Company and its shareholding in the Company will be counted towards public float.

4. Real Oasis is expected to hold 70,629,302 Shares as a nominee for 129 employees of Changhong IT who are Management Team Owners.

5. Orient Axis is expected to hold 70,606,936 Shares as a nominee for 272 employees of Changhong IT who are Management Team Owners.

FINANCIAL EFFECTS OF THE ACQUISITION

Before Completion, Changhong IT is a 90%-owned subsidiary of the Company. Upon Completion, Wide Miracle, an investment holding company which owns the 10% equity interest in Changhong IT, will become a wholly-owned subsidiary of the Company. As such, Changhong IT will become a wholly-owned subsidiary of the Company and all the profit and loss and assets and liabilities of Changhong IT and Wide Miracle will be consolidated into the financial statements of the Company. The unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular is prepared as if the Acquisition had been completed on 31 December 2013 to illustrate the financial effects of the Acquisition.

Assets and liabilities

As set out in the unaudited pro forma financial information of the Enlarged Group in Appendix IV to this circular, the total assets of the Enlarged Group as at 31 December 2013 would have been slightly increased from approximately HK$4,453,309,000 to approximately HK$4,453,359,000 as a result of the Acquisition.

As set out in the unaudited pro forma financial information of the Enlarged Group in Appendix IV to this circular, the total liabilities of the Enlarged Group as at 31 December 2013 would have been slightly increased from approximately HK$3,370,412,000 to approximately HK$3,370,470,000 as a result of the Acquisition.

As set out in the unaudited pro forma financial information of the Enlarged Group in Appendix IV to this circular, the equity attributable to owners of the Enlarged Group as at 31 December 2013 would have been increased from approximately HK$983,274,000 to approximately HK$1,082,889,000 as a result of the Acquisition.

Earnings

Upon Completion, Changhong IT and Wide Miracle will become wholly-owned subsidiaries of the Company and the net profit and net loss of Changhong IT and Wide Miracle respectively will be fully consolidated into the Enlarged Group's financial statements. Accordingly, the Group's consolidated results attributable to owners of the Company for the year ended 31 December 2013 would have been increased by approximately 10% since 100% instead of 90% interests in Changhong IT will be accounted for and the non-controlling interests in Changhong IT will no longer exist as a result of the Acquisition.

GEM LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, one of the Vendors, Typical Faith, is wholly owned by Mr. Zhu. Mr. Zhu is an executive Director. As such, Mr. Zhu and Typical Faith are connected persons of the Company within the meaning of the GEM Listing Rules and therefore, the Acquisition constitutes a connected transaction for the Company and is subject to the reporting, announcement and independent Shareholders' approval requirements set out in Chapter 20 of the GEM Listing Rules.

Each of Real Oasis and Orient Axis is the current 31.58% and 31.57% shareholder of Wide Miracle (which is the legal and beneficial owner of the 10% equity interest in Changhong IT) respectively. Following the Completion, each of Real Oasis and Orient Axis will cease to hold shares in Wide Miracle and will instead hold Consideration Shares as nominee on behalf of the Management Team Owners (such employees not being directors of the Company or its subsidiaries including without limitation Changhong IT). Ms. Su and Mr. Dong are employees of Changhong IT.

Save for the foregoing, each of Real Oasis, Orient Axis, Ms. Su and Mr. Dong are third parties independent of the Company and its connected persons and the shareholding in the Company held by Real Oasis and Orient Axis (following Completion) should be regarded public for the purposes of Rule 11.23(7) of the GEM Listing Rules.

Based on the information provided to the Company, the Directors consider that the original purchase cost of the Sale Shares held by Typical Faith is RMB7.37 million.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for Mr. Zhu, no Director has a material interest in the SP Agreement and is required to abstain from voting at the meeting of the Board approving the SP Agreement and the transactions contemplated thereunder. Mr. Zhu has abstained from voting in the meeting of the Board approving the SP Agreement.

To the best of the Directors' knowledge, information and belief, no Shareholder is required to abstain from voting at the SGM.

Furthermore, since certain of the applicable percentage ratios stipulated under Rule 19.07 of the GEM Listing Rules in respect of the Acquisition exceed 25%, the Acquisition also constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules.

The Independent Board Committee comprising the independent non-executive Directors has been appointed to consider the terms of the SP Agreement. REORIENT, the independent financial adviser has also been appointed to advise the Independent Board Committee and the independent Shareholders on the fairness and reasonableness of the terms of the SP Agreement.

SGM

The SGM will be held at Unit 3701, 37/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong at 10:30 a.m. on Thursday, 5 June 2014, the notice of which is set out on pages 69 to 70 of this circular, for the Shareholders to consider and, if thought fit, approve the Acquisition and the allotment and issue of the Consideration Shares.

In compliance with the GEM Listing Rules, the resolution will be voted on by way of poll at the SGM. The results of the poll will be published on the websites of the Stock Exchange and the Company as soon as possible after the SGM in accordance with Rule 17.47(5) of the GEM Listing Rules.

You will find enclosed a form of proxy for use at the SGM. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof to the office of the Company's branch share registrar and transfer office in Hong Kong, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

RECOMMENDATION

The Directors are of the opinion that the terms of the SP Agreement are on normal commercial terms, fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole, and accordingly recommend the independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Acquisition and the allotment and issue of the Consideration Shares.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 16 and 17 of this circular and the letter from REORIENT, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the independent Shareholders in respect of the transactions contemplated under the SP Agreement, set out on pages 18 to 31 of this circular.

GENERAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Changhong Jiahua Holdings Limited
Zhao Yong
Chairman

The following is the full text of the letter from the Independent Board Committee to the independent Shareholders in connection with the Acquisition which has been prepared for the purpose of inclusion in this circular:

长虹佳华
CHANGHONG IT

CHANGHONG JIAHUA HOLDINGS LIMITED
(長虹佳華控股有限公司)

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

15 May 2014

To the independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION
IN RELATION TO
PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF WIDE MIRACLE LIMITED

We have been appointed as the Independent Board Committee to advise you in connection with the SP Agreement relating to the Acquisition, details of which are set out in the letter from the Board contained in this circular, to which this letter forms part.

Terms defined in this letter shall have the same meanings when used herein unless the context otherwise requires. REORIENT has been appointed as the independent financial adviser to advise us and the independent Shareholders on the terms of the SP Agreement.

We wish to draw your attention to the letter from the Board on pages 6 to 15 of this circular, which sets out information in connection with the Acquisition. We also wish to draw your attention to the letter from REORIENT to the Independent Board Committee and the independent Shareholders which contains its advice in respect of the Acquisition set out on pages 18 to 31 of this circular.

Having taken into account the principal factors and reasons considered by REORIENT, its opinion and recommendation, we concur with the view of REORIENT and consider that the terms of the SP Agreement are on normal commercial terms, fair and reasonable, and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the independent Shareholders to vote for the resolution to be proposed at the SGM to approve the Acquisition and the grant of the Specific Mandate.

Yours faithfully,
For and on behalf of the
Independent Board Committee

Jonathan Chan Ming Sun	**Robert Ip Chun Chung**	**Sun Dongfeng**	**Cheng Yuk Kin**
Independent Non-executive Director	*Independent Non-executive Director*	*Independent Non-executive Director*	*Independent Non-executive Director*

The following is the text of a letter of advice from REORIENT Financial Markets Limited, the independent financial adviser to the Independent Board Committee and the independent Shareholders, for the purpose of incorporation into this circular.

REORIENT 瑞東

Suites 1102-03
Far East Finance Centre
16 Harcourt Road, Admiralty
Hong Kong

15 May 2014

The Independent Board Committee and
the Independent Shareholders
Changhong Jiahua Holdings Limited

Dear Sirs,

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO
PROPOSED ACQUISITION OF
THE ENTIRE ISSUED SHARE CAPITAL OF
WIDE MIRACLE LIMITED**

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the Acquisition, details of which are set out in the circular of the Company dated 15 May 2014 (the "Circular") of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined in the Circular, unless the context requires otherwise.

On 21 April 2014, Changhong (Hong Kong) Enterprises, an indirect wholly-owned subsidiary of the Company, entered into the SP Agreement in respect of the purchase of the entire equity interest in Wide Miracle (which owns a 10% equity interest in Changhong IT) from the Vendors. The Acquisition constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules. As set out in the letter from the Board in the Circular (the "Letter from the Board"), when the SP Agreement was entered into, one of the Vendors, Typical Faith, was wholly owned by Mr. Zhu, an executive Director. Thus, Typical Faith was an associate of Mr. Zhu, and was therefore a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Jonathan Chan Ming Sun, Mr. Robert Ip Chun Chung, Mr. Sun Dongfeng and Mr. Cheng Yuk Kin, has been established to give advice and recommendation to the Independent Shareholders.

REORIENT Financial Markets Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Acquisition are fair and reasonable and the Acquisition is in the ordinary and usual course of business of the Group, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

In formulating our opinion, we have relied upon the information, facts and representations contained in the Announcement, the Circular and those supplied or made by the Directors and management of and advisers to the Company to us. We have assumed that all such information, facts and representations were true and accurate in all respects at the time they were supplied or made and continue to be true and accurate at the date of the Circular and can be relied upon. We have no reason to doubt the truth, accuracy and completeness of such information and representations and have confirmed with the Directors and management of the Company that no material facts have been withheld or omitted from such information and representations.

We have taken all reasonable and necessary steps to comply with the requirements set out in Rule 17.92 of the GEM Listing Rules. We consider that we have been provided with sufficient information to enable us to reach an informed view. We have not, however, conducted any independent verification of such information or any independent in-depth investigation into the business, affairs, financial position or prospects of the Group nor have we carried out any in-depth research on the Group, the Vendors and their respective associates.

PRINCIPAL TERMS OF THE ACQUISITION

Under the SP Agreement, the Vendors have conditionally agreed to sell and Changhong (Hong Kong) Enterprises has conditionally agreed to acquire the entire equity interest in Wide Miracle ("the "Sale Shares") at the Consideration of HK$223,652,000. Upon Completion, the Group's interest in Changhong IT will increase from 90% to 100%.

Completion is conditional upon, among others, Fit Generation having converted not less than 762,000,000 Convertible Preference Shares into Shares on or before Completion, Changhong (Hong Kong) Enterprises being satisfied with the results of the due diligence review of, among other things, the business, legal and financial aspects of Wide Miracle, and all necessary consents and approvals in relation to the transaction contemplated under the SP Agreement, having been obtained by the Company and such consents and approvals should be valid up to the Completion Date, including, but not limited to, (i) the passing of an ordinary resolution by the independent Shareholders at the SGM approving the Acquisition and the allotment and issue of the Consideration Shares; and (ii) the approval by the Stock Exchange for listing of, and permission to deal, in the Consideration Shares. The conversion of not less than 762,000,000 Convertible Preference Shares into Shares on or before Completion will (i) allow Sichuan Changhong remain as the single largest Shareholder and continue to have the control over the Company upon Completion; and (ii) avoid the Vendors holding, in aggregate, 30% or more of voting rights in the Company by Completion so as to avoid triggering any general offer obligation by the Vendors.

Completion of the SP Agreement will take place on the 5th Business Day after the fulfillment (or waiver) of all Conditions Precedent (or such later date as Changhong (Hong Kong) Enterprises and the Vendors may agree in writing). The sale and purchase of the Sale Shares by each of the Vendors are inter-conditional and the completion of which shall take place simultaneously.

The Consideration shall be satisfied by the allotment and issue, credited as fully paid, of 223,652,000 Consideration Shares at an issue price of HK$1.00 per Consideration Share (the "Issue Price") by the Company to the Vendors (or their respective nominee(s)) at Completion in the proportion set out below:

Vendors	**Number of Consideration Shares**
Typical Faith (wholly owned by Mr. Zhu)	82,415,762
Real Oasis (wholly owned by Ms. Su)	70,629,302
Orient Axis (wholly owned by Mr. Dong)	70,606,936

As stated in the Letter from the Board, the Consideration and the Issue Price were determined among the parties after arm's length negotiations with reference to, among other matters, the acquisition by the Company of the 90% of the equity interests in Changhong IT on 22 January 2013, whereby the Company allotted and issued to Fit Generation as vendor (i) 135,000,000 Shares at an issue price of HK$1.00 each; and (ii) 1,877,868,000 Convertible Preference Shares at an issue price of HK$1.00 each to settle the aggregate consideration of HK$2,012,868,000 on the same day.

The Sale Shares represent the entire issued share capital in Wide Miracle which in turn holds a 10% equity interest in Changhong IT (the "Management Interests"). Ms. Su and Mr. Dong are holding the interests in Real Oasis and Orient Axis which, in turn are holding 6.315% equity interests in Changhong IT, as nominees for the benefit of certain management team members of Changhong IT. Ms. Su and Mr. Dong are also beneficiaries of such trust interests. Immediately after Completion, each of Real Oasis and Orient Axis will hold 70,629,302 and 70,606,936 Consideration Shares respectively as trustees for the benefit of the same group of selected management members of Changhong IT including Ms. Su and Mr. Dong. Mr. Zhu is a key management of Changhong IT and is himself the beneficial owner of the entire interests in Typical Faith.

PRINCIPAL FACTORS CONSIDERED

In formulating our opinion on the SP Agreement and the Acquisition, we have taken into consideration the following principal factors:

Information on the Group

The Group is principally engaged in the distribution of IT consumer products and corporate products in the PRC ("IT Business"). We understand from the Company that other than the IT Business, which is the main income stream of the Group, the Group also generated revenue from distribution of consumer electronic products and related parts and components.

We set out below a summary of the financials of the Group's (i) unaudited results for the three months ended 31 March 2014 as extracted from the 2014 first quarterly report for the period ended 31 March 2014 (the "2014 First Quarterly Report"); and (ii) audited results for the two years ended 31 December 2012 and 2013 prepared in accordance with Hong Kong Financial Reporting Standards extracted from the annual report of the Company for the year ended 31 December 2013 (the "2013 Annual Report"):

	Period ended 31 March 2014	**Year ended 31 December 2013**	**Year ended 31 December 2012**
	HK$'000	*HK$'000*	*HK$'000*
	(Unaudited)	(Audited)	(Audited) (Restated)
Turnover	4,452,460	18,343,541	14,928,822
Cost of sales	(4,258,759)	(17,566,550)	(14,322,736)
Gross profit	193,701	776,991	606,086
Gross profit margin	4.35%	4.24%	4.06%
Profit before tax	80,424	256,171	240,304
Profit for the period/year	60,488	197,498	173,040
Net profit margin	1.36%	1.08%	1.16%

On 28 March 2012, the Company entered into an acquisition agreement to acquire its existing 90% equity interest in Changhong IT from Fit Generation (the "Previous Acquisition"). The Previous Acquisition was completed on 22 January 2013. For the purpose of the Group's consolidated financial statements, the Previous Acquisition is regarded as a business combination under common control on 20 March 2012 and the Group has adopted merger accounting for common control combinations in respect of the Previous Acquisition. We are given to understand that this means it is assumed that the Group had owned the 90% interests in Changhong IT since 20 March 2012 which, as per the Company's accounting policies for the purposes of preparing the Group's financial statements after completion of the Previous Acquisition, was the date when Sichuan Changhong obtained control over the Board and thus the date when the Company and Changhong IT became under the common control of Sichuan Changhong. The Group's income statement for the year ended 31 December 2013 reflects the full year results of Changhong IT in 2013; whilst the Group's restated comparable income statement for the year ended 31 December 2012 reflects the results of Changhong IT from 20 March 2012 to 31 December 2012.

We set out below the breakdown of turnover for the period ended 31 March 2014 as extracted from the 2014 First Quarterly Report and the two years ended 31 December 2013 as extracted from the 2013 Annual Report:

	Period ended 31 March 2014 *HK$'000* (Unaudited)	**% to total**	**Year ended 31 December 2013** *HK$'000* (Audited)	**% to total**	**Year ended 31 December 2012** *HK$'000* (Audited) (Restated)	**% to total**
IT Business:						
IT consumer products	3,244,003	72.9	11,168,587	60.9	7,452,974	49.9
IT corporate products	1,052,482	23.6	4,588,062	25.0	3,596,521	24.1
	4,296,485	96.5	15,756,649	85.9	11,049,495	74.0
Consumer electronic products	101,649	2.3	2,313,947	12.6	3,462,290	23.2
Others	54,326	1.2	272,945	1.5	417,037	2.8
Total	4,452,460	100.0	18,343,541	100.0	14,928,822	100.0

We also set out below the breakdown of the Group's segment profits for the period ended 31 March 2014 as extracted from the 2014 First Quarterly Report and the two years ended 31 December 2013 as extracted from the 2013 Annual Report:

	Period ended 31 March 2014 *HK$'000* (Unaudited)	**% to total**	**Year ended 31 December 2013** *HK$'000* (Audited)	**% to total**	**Year ended 31 December 2012** *HK$'000* (Audited) (Restated)	**% to total**
IT Business:						
IT consumer products	102,356	52.8	159,640	32.7	108,856	27.2
IT corporate products	87,697	45.3	304,129	62.4	174,916	43.8
	190,053	98.1	463,769	95.1	283,772	71.0
Consumer electronic products	1,537	0.8	23,107	4.7	67,115	16.8
Others	2,111	1.1	734	0.2	48,727	12.2
Total	193,701	100.0	487,610	100.00	399,614	100.00

Since completion of the Previous Acquisition, the IT Business of Changhong IT has become the core business of the Group. The scale of the consumer electronic product business is diminishing.

Information on Changhong IT

Changhong IT is owned as to 90% by the Group and 10% by Wide Miracle. It is principally engaged in the distribution of IT consumer products (including personal computers, digital products and IT accessories) and IT corporate products (including storage products, minicomputers, network products, PC servers, IBMS products and UC&CC products) in the PRC.

The Group's IT Business is represented by its investments in Changhong IT. We set out below a summary of the consolidated financials of Changhong IT's results for the two years ended 31 December 2013 prepared in accordance with PRC GAAP extracted from the audited financial statements of Changhong IT for the year ended 31 December 2013:

	Year ended 31 December 2013		**Year-on-year change**	**Year ended 31 December 2012**	
	RMB'000	*HK$'000*		*RMB'000*	*HK$'000*
Turnover	12,787,960	15,984,950	6.9%	11,958,042	14,947,552
Cost of sales	12,601,344	15,751,680	7.5%	11,721,741	14,652,176
Gross profit margin	1.46%			1.98%	
Profit before tax	201,148	251,435	(19.4%)	249,581	311,976
Profit for the year	154,955	193,694	(16.1%)	184,624	230,780
Net profit margin	1.21%			1.54%	

Assumes an exchange rate of HKD:RMB is 1:0.8

Turnover for the year ended 31 December 2013 increased by approximately 6.9% as compared with that for the year ended 31 December 2012, whilst profit for the year decreased by approximately 16.1% for the year ended 31 December 2013 as compared with that for the year ended 31 December 2012. The Company confirmed that the decrease in gross profit for the year ended 31 December 2013 is mainly due to the increase in management and finance cost for the year ended 31 December 2013.

Whilst Changhong IT's profits decreased in 2013 as compared with that in 2012, the Group (as a whole) recorded a growth in net profits. We understand that this is mainly a result that the Group's consolidated financial statements for the year ended 31 December 2012 only consolidated the results of Changhong IT starting from 20 March 2012.

For years ahead, we understand from the Company that Changhong IT will continue to expand its IT Business including its sales channels and product range. Changhong IT plans to grasp opportunities to explore new business such as cloud computing and mobile internet services business. It is also actively exploring the opportunity to provide value added services such as vertical integration services. The Company will enhance its operating efficiency in order to improve profit margin by the above initiatives.

Background of the Acquisition

Sichuan Changhong has become the substantial shareholder of the Company since October 2006. Shortly prior to the Previous Acquisition, Sichuan Changhong was the controlling shareholder of the Company and owned approximately 33.34% of the issued ordinary share capital of the Company. At that time, the Group's core business was the trading of consumer electronic products, and related parts and components.

On 28 March 2012, the Company entered into an agreement with Fit Generation, a wholly-owned subsidiary of Sichuan Changhong, in respect of the Previous Acquisition at a total consideration of HK$2,012,868,000 settled in full by the allotment and issue of 135,000,000 new Shares and 1,877,868,000 new Convertible Preference Shares. Upon completion of the Previous Acquisition on 22 January 2013, Sichuan Changhong's shareholding interest in the Company increased from approximately 33.34% to approximately 52.53% (before conversion of any of the Convertible Preference Shares). Since then, Changhong IT has become the major operating subsidiary of the Company and the Group has successfully transformed its core business from the trading of consumer electronic products and related parts and components business to the IT Business (which is being operated by Changhong IT). Before completion of the Previous Acquisition, the Group recorded a loss after taxation of approximately HK$10.1 million for the year ended 31 December 2012. The Group recorded net profits ranging from approximately HK$5.7 million to approximately HK$21.5 million each year from 2008 to 2011.The IT Business has totally changed the scale of the Group's business and is making a significant contribution to the Group's operating results. The Group's net profits amounted to approximately HK$197.0 million for the year ended 31 December 2013.

Reasons for and benefits of the Acquisition

The Directors have set out the reasons for and benefits of the Acquisition in the Letter from the Board. To summarise, the Directors consider that the Acquisition will:

(i) increase the Group's consolidated results and net asset value attributable to the Shareholders since 100% instead of 90% interests in Changhong IT will be accounted for and the non-controlling interests in Changhong IT will no longer exist after the Acquisition; and

(ii) rationalise the shareholding structure of the Group by taking the non-controlling interests in Changhong IT to the level of the Company so that their interests can be aligned with those of the Shareholders at the same level, which is beneficial to the Company in terms of carrying out its dividend policy and managing other interests of the Shareholders.

As stated earlier in this letter, the Vendors are also senior management members of Changhong IT. Ms. Su and Mr. Dong are holding interests in Changhong IT as nominees for the benefit of certain selected management members of Changhong IT before the Acquisition. We understand from the Company that as at the Latest Practicable Date, save for Mr. Zhu, Ms. Su and Mr. Dong, there were 399 management members of Changhong IT having beneficial interests in the Management Interests. Apart from being a senior management staff of Changhong IT, Mr. Zhu is also a Director. Mr. Zhu and the Management Team Owners will become Shareholders after Completion. The Company considers that this can help further align their interests as management staff members and as Shareholders. This also potentially serves as a further incentive to retain and maintain a good on-going relationship with Mr. Zhu and the other senior management staff of Changhong IT as they may be able to enjoy potential appreciation in market value of the Shares. We agree with the Company that this can be beneficial to the long term-growth of the Group and all Shareholders as a whole.

Having considered (i) Changhong IT as the Group's most significant revenue source; (ii) the profitable track records of Changhong IT; and (iii) the benefit of further aligning the interests of Mr. Zhu and the other Management Team Owners with those of the Shareholders, we agree with the Directors' view that the Acquisition is incidental to the Group's ordinary and usual course of business.

Consideration

As set out in the Letter from the Board, the Consideration and the Issue Price of HK$1.00 per Consideration Share were determined between the parties after arm's length negotiations with reference to, among other matters, the Previous Acquisition, whereby the Company allotted and issued to Fit Generation as vendor (i) 135,000,000 Shares at an issue price of HK$1.00 each; and (ii) 1,877,868,000 Convertible Preference Shares at an issue price of HK$1.00 each.

The Consideration is based on the same implied valuation as the Previous Acquisition (i.e. HK$2,012,868,000 ÷ 90% x 10%). The Issue Price of the Consideration Share is also the same as the issue price of the consideration shares and the issue price and conversion price of the Convertible Preference Shares under the Previous Acquisition. If we compare the price earnings ratio ("PER") of Changhong IT at the time of the Previous Acquisition and at the time of the current Acquisition, we shall find that the PER of Changhong IT at the time of the Acquisition (calculated by dividing the consideration by 10% of the net profits of Changhong IT for the year ended 31 December 2013) amounts to approximately 11.5 times and is higher than the PER of Changhong IT at the time of the Previous Acquisition (calculated by dividing the consideration for the Previous Acquisition by 90% of the net profits of Changhong IT for the year ended 31 December 2011) of approximately 9.6 times.

Whilst this may suggest that the implied valuation under the Acquisition is more expensive than the implied valuation under the Previous Acquisition, we should like to point out that consideration for both the Previous Acquisition and the Acquisition are settled in kind but not in cash, and the real value of the consideration each time may more appropriately be reflected by the then market price of the Shares at the relevant time. If we value the consideration for the Previous Acquisition and the Acquisition based on the closing price per Share on last trading day before the announcement regarding the Previous Acquisition on 28 March 2012 and the closing price per Share on 17 April 2014, being the last trading day preceding the date of the SP Agreement (the "Last Trading Date") respectively, the consideration value for the Previous Acquisition is approximately HK$3,502.4 million and the consideration value for the Acquisition is approximately HK$335.5 million. Based on the above consideration values, the implied valuation of Changhong IT under the current Acquisition has actually decreased from approximately HK$3,892 million at the time of the Previous Acquisition to approximately HK$3,355 million at the time of the Acquisition, representing a decrease of about 14%, while the net profits of Changhong IT decreased by about 16% during the same period of time.

Changhong IT's IT Business represents almost the entire business of the Group. For the year ended 31 December 2013, the segment profits of the IT Business accounted for approximately 95.1% of the Group's total segment profits. We consider that the PER of the Company should best represent the PER of Changhong IT.

As at the Last Trading Date, the market capitalization of the Company was approximately HK$704 million. Assuming all the Convertible Preference Shares were converted, the earnings per share for the year ended 31 December 2013 would be about HK$0.0759. Based on the above market capitalization and fully-diluted earnings per Share, the PER of the Company is approximately 19.76 times. Based on such PER and Changhong IT's net profits for the year ended 31 December 2013, the 10% interest in Changhong IT would be valued at approximately HK$382.7 million. The value of the Consideration Shares based on the closing price per Share on the Last Trading Date of approximately HK$335.5 million represents a discount of approximately 12.3% to the 10% interest in Changhong IT of approximately HK$382.7 million. The Consideration, which may be notional based on the Issue Price, represents a discount of 41.5% to such valuation.

Based on the above, we consider that the Consideration is fair and reasonable.

Issue Price

The Issue Price represents:

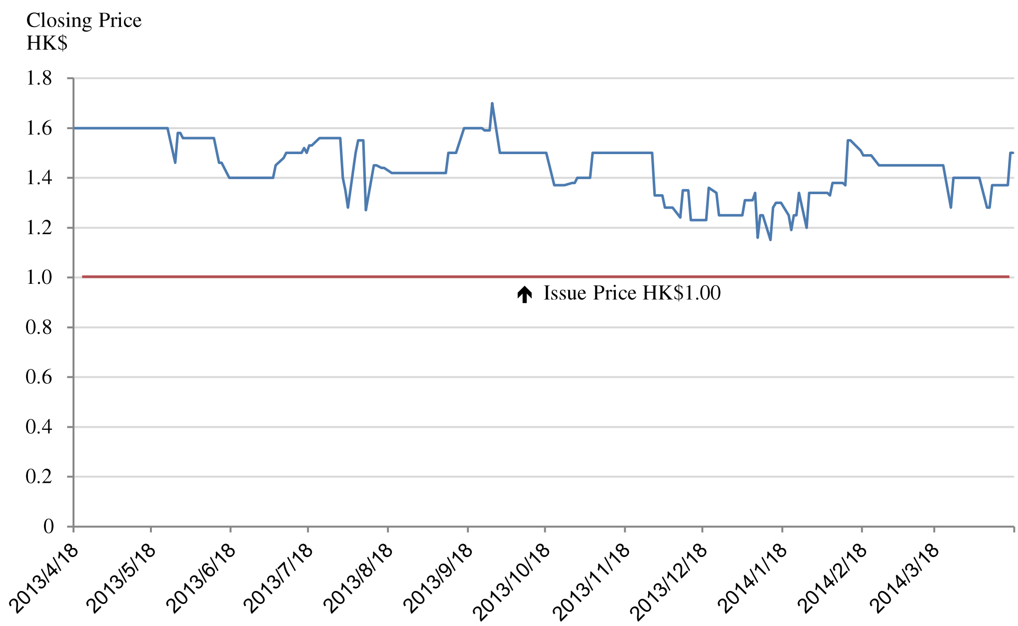
(a) a discount of approximately 33.3% to the closing price of HK$1.5 per Share on the Last Trading Date;

(b) a discount of approximately 29.7% to the average closing price of HK$1.422 per Share for the last five trading days up to and including the Last Trading Date; and

(c) a discount of approximately 27.6% to the average closing price of HK$1.381 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Date.

Historical performance of the Share prices

The chart below illustrates the daily closing prices of the Shares during the 12-month period up to and including the Last Trading Date (the "Past 12-Month Period"):



Source: Bloomberg

During the Past 12-Month Period, the closing price of Shares ranged from HK$1.15 per Share to HK$1.7 per Share, with an average of approximately HK$1.45 per Share. The Issue Price represents a discount of approximately 13%, 41.2%and 31.0% to the lowest, highest and average closing price of the Shares during the Past 12-Month Period respectively.

Trading liquidity of the Shares

We set out below the monthly trading volume and the average daily number of Shares traded per month expressed in (i) number of Shares; (ii) a percentage to the total number of Shares in issue; and (iii) a percentage to the total number of Shares held by the other public Shareholders during the Past 12-Month Period:

Month	**Total monthly trading volume** *(Number of Shares)*	**Average daily trading volume** *(Note 3)* *(Number of Shares)*	**Percentage of average daily trading volume to total number of Shares in issue** *(Note 4)* *(%)*	**Percentage of average daily trading volume to total number of Shares held by public Shareholders** *(Note 5)* *(%)*
2013				
April *(Note 1)*	20000	2222	0.000%	0.002%
May	12000	571	0.000%	0.000%
June	18000	947	0.000%	0.001%
July	68400	3109	0.001%	0.002%
August	46000	2190	0.000%	0.002%
September	76000	3800	0.001%	0.003%
October	40000	1905	0.000%	0.001%
November	12000	571	0.000%	0.000%
December	306000	15300	0.003%	0.011%
2014				
January	334000	15905	0.003%	0.011%
February	40000	2105	0.000%	0.002%
March	92000	4381	0.001%	0.003%
April *(Note 2)*	22000	1692	0.000%	0.001%

Source: the Stock Exchange website (www.hkex.com.hk)

Notes

1. Average daily trading volume and total trading volume from 18 April 2013 to 30 April 2013.

2. Average daily trading volume and total trading volume from 1 April 2014 to 17 April 2014.

3. Average daily trading volume is calculated by dividing the total trading volume of the Shares for the month/period by the number of trading days during the month/period.

4. Based on 469,000,000 Shares in issue as at the Latest Practicable Date.

5. Based on 139,622,660 Shares held by public Shareholders as at the Latest Practicable Date.

During the Past 12-Month Period, the average daily trading volume of the Shares as a percentage of the total number of issued Shares ranged from approximately 0% to 0.003% while the average daily trading volume of the Shares as a percentage of the total number of Shares held by the public Shareholders ranged from approximately 0% to 0.011%.

Analysis

The Issue Price equals the issue price of the consideration shares, and the issue price and conversion price of the Convertible Preference Shares issued under the Previous Acquisition. At the time of the Previous Acquisition, the same issue price represented an even deeper discount to the then market price of the Shares. This can partly be justified by the thin trading liquidity of the Shares as shown above. As also explained above, after completion of the Previous Acquisition, Changhong IT has become the major operating subsidiary and accounted for almost the entire aggregate segment profits of the Group for the year ended 31 December 2013. The Sale Shares represent the remaining 10% interest in Changhong IT not owned by the Group. The Consideration will be satisfied by the issue of the Consideration Shares. The effect of the Acquisition will be that the effective economic interests of the Vendors in Changhong IT will be swapped into shareholding interests in the Company. The Issue Price essentially serves the purpose of determining the number of Consideration Shares and the economic interests of the Vendors in the Company and Changhong IT after the Acquisition. Accordingly, in justifying the reasonableness of the Issue Price, it will be more appropriate to consider the fairness and reasonableness of the number of Consideration Shares to be issued and the effect of such issue of Consideration Shares to the existing Shareholders' economic interests in Changhong IT as a result of the Acquisition.

As the Convertible Preference Shares rank pari passu as the Shares in terms of dividend entitlement, when calculating the effective economic interests in Changhong IT after the Acquisition, we have to consider the shareholding of the Company on a diluted basis. Assuming all the Convertible Preference Shares were converted, after issue of the Consideration Shares, the Vendors' aggregate effective economic interests in Changhong IT will decrease from 10% to approximately 8.7%. On the other hand, the aggregate economic interests of all existing Shareholders in Changhong IT will increase from 90% to 91.3%. Whilst the other Vendors will also own an effective economic interests of 8.7% in the other business segments of the Group, they will also have to share to corporate expenses at the Company level. Based on the 2013 Annual Report, the sum of all other segments' profits and unallocated income and expenses of the Group amounted to a loss of approximately HK$207.6 million. This means by swapping from being shareholders of Changhong IT to being Shareholders, the Vendors will have to share part of the additional net expenses. In addition, the other segments recorded net liabilities of approximately HK$192.3 million and the Group had unallocated liabilities outside Changhong IT amounted to approximately HK$1,243.2 million. Again the Vendors will directly share part of these net liabilities after becoming Shareholders.

From another angle, if we value of the Sale Shares based on the PER of the Company as stated above, as at the Last Trading Date, the Sale Shares had an aggregate value of approximately HK$382.7 million. Based on such value, the issue price per Consideration Share would be approximately HK$1.71, representing a premium of approximately 14.0% over the closing price per Share as at the Last Trading Date.

Based on the above, the number of Consideration Shares to be issued to the Vendors, and thus the Issue Price, is fair and reasonable and in the interests of the Shareholders as a whole.

Financial effects of the Acquisition

Upon Completion, the Group's equity interests in Changhong IT will increase from 90% to 100%, and Changhong IT will become an indirect wholly-owned subsidiary of the Company and its results will continue to be consolidated into the Group's consolidated financial statements whilst all related non-controlling interests will be eliminated.

Earnings

For the year ended 31 December 2013, Changhong IT recorded net profits of approximately RMB155.0 million (equivalents to approximately HK$193.7 million). Having taken into account that Changhong IT has been generating profit and the prospects of the Group's IT Business, the Directors expect that the Acquisition will have a positive impact to the earnings of the Group upon consolidation of the results of Changhong IT and increase the Group's share in Changhong IT's net profit. For the year ended 31 December 2013, the Group recorded net profits of approximately HK$197.5 million, among which approximately HK$19.5 million were profit attributable to non-controlling interests (which we understand related solely to the remaining 10% interest in Changhong IT held by the Vendors though the ownership in the Sale Shares). If the non-controlling interests were eliminated, the profits attributable to the Shareholders for the year ended 31 December 2013 would be approximately HK$197.5 million (before considering any amortization or impairment of any goodwill or other intangible assets (if any) which may arise as a result of the acquisition). On a fully diluted basis assuming all the Convertible Preference Shares were converted, the earnings per Share would increase from HK$0.0759 per Share to HK$0.0768 per Share as a result of the Acquisition.

Net asset value

The Group has net asset value of approximately HK$1,083 million as at 31 December 2013 as set out in the 2013 Annual Report. Based on the unaudited pro forma consolidated statement of financial position of the Enlarged Group as set out in Appendix IV to this circular, assuming the Acquisition has taken place on 31 December 2013, there would be no material change to the net asset value of the Enlarged Group. On a fully diluted basis assuming all the Convertible Preference Shares were converted, the net asset value per Share would increase from HK$0.419 per Share to HK$0.421 per Share as a result of the Acquisition.

Working capital

The Group had cash and cash equivalents of approximately HK$499.9 million as at 31 December 2013 as set out in the 2013 Annual Report. The Consideration will be satisfied by the issue and allotment of the Consideration Shares. The Acquisition is not expected to have any material adverse impact on the Group's working capital.

Gearing

According to the 2013 Annual Report, the Group's gearing ratio (defined as total net debt over total shareholders' equity) was approximately 3.11 times as at 31 December 2013. Based on the audited pro forma consolidated statement of assets and liabilities of the Enlarged Group as set out in Appendix IV to the Circular, the gearing ratio will remain approximately 3.11 times immediately after Completion.

Dilution effect on the existing public Shareholders

Reference is made to the shareholding structure of the Company as set out in the paragraph headed "Change in Shareholding Structure of the Company" in the Letter from the Board. The Vendors were not holding any Share as at the Latest Practicable Date. Upon Completion, the shareholding of all existing public Shareholders would be diluted to approximately 9.6% as enlarged by conversion of the Convertible Preference Shares and the issue and allotment of the Consideration Shares. According to the Company, it will be able to maintain a sufficient level of public float of 25% or more. The Convertible Preference Shares are securities already in issue and have a huge dilution effect to the existing Shareholders. The Convertible Preference Shares rank pari passu in terms of dividend entitlement as the existing Shares in issue. Accordingly, for the purposes of considering the effect of the issue of the Consideration Shares in connection with the Acquisition, we consider it most appropriate to consider all the Convertible Preference Shares as ordinary Shares. Based on the assumption that all the Convertible Preference Shares were converted, the Consideration Shares would account for approximately 8.7% of the enlarged issued share capital of the Company. Despite the dilution in terms of shareholding percentage, the earnings per Share and the net asset value per Share would have increased based on the financial statements for the year ended 31 December 2013 had the Acquisition been completed. Accordingly, we consider that the dilution effects on shareholdings of the Company upon Completion is acceptable, fair and reasonable.

CONCLUSION

Having considered the above principal factors and reasons, we consider that the terms of the Acquisition are fair and reasonable and the Acquisition is on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. We advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Acquisition.

Yours faithfully,
For and on behalf of
REORIENT Financial Markets Limited
Allen Tze
Managing Director

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the years ended 31 December 2011, 2012 and 2013 and for the three months ended 31 March 2014 is disclosed in the annual reports of the Company for the three years ended 31 December 2011, 2012 and 2013 and the quarterly report of the Company for the three months ended 31 March 2014, respectively, which are published on both the website of the Stock Exchange (http://www.hkexnews.hk) and the website of the Company (http://cdb-holdings.com.hk/).

2. INDEBTEDNESS

Borrowings

As at the close of business on 31 March 2014, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the indebtedness of the Enlarged Group was as follows:

(i) Secured bank borrowings of approximately HK$113,334,000 and unsecured bank borrowings of approximately HK$399,294,000 which were interest bearing and due within one year. The secured bank borrowings were secured by the Enlarged Group's trade receivables with a total carrying amount of approximately HK$139,893,000. There were no guarantees on the bank borrowings; and

(ii) Loan from a fellow subsidiary of approximately HK$112,410,000 which was unsecured, interest bearing and due within one year.

Contingent liabilities

As at the close of business on 31 March 2014, the Enlarged Group had no material contingent liabilities.

Disclaimer

Save as aforesaid, and apart from intra-group liabilities and normal trade payables, the Enlarged Group did not have outstanding as at the close of business on 31 March 2014 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

The Directors confirmed that there is no material change in the indebtedness and contingent liabilities of the Enlarged Group since 31 March 2014 and up to the date of this circular.

For the purpose of the above indebtedness statement, foreign currency accounts have been translated into Hong Kong dollars at the approximately rates of exchange prevailing at the close of business on 31 March 2014.

3. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into account the internal resources and banking facilities available to the Enlarged Group, the Enlarged Group would have sufficient working capital for at least 12 months from the date of this circular.

4. OUTLOOK AND PROSPECTS

It is expected that China's economy in the second half of 2014 will grow at a slower pace, and the landscape in the IT industry will continue to evolve with increasing competition in the IT market. The Group will proactively explore the emerging business models in relation to cloud computing, big data and mobile internet, continue to promote the strategic transition into the service industry, intensify the efforts in technology investment and business innovation, discover its new value in the vertical market through business upgrades and achieve growing profits through value enhancement. The Group will also dedicate to process reengineering, consolidate the foundation of management, and enhance operating efficiency and core competence.

Upon Completion, Changhong IT will become a wholly-owned subsidiary of the Company. The Acquisition rationalises the shareholding structure of the Group by taking the non-controlling interests in Changhong IT to the level of the Company so that their interests can be aligned with those of the Shareholders at the same level. With the market experience and ability of the our management team, the Group will be ready to embrace the challenges in the market, promote innovation and adapt to changes, so as to bring greater value for the Shareholders.

The following is the text of a report received from the Company's reporting accountant, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

15 May 2014

The Board of Directors
Changhong Jiahua Holdings Limited
Unit 3701, 37/F, West Tower, Shun Tak Centre,
168-200 Connaught Road Central, Hong Kong

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information (the "Financial Information") regarding Wide Miracle Limited (the "Target Company"), which comprises the statement of financial position of the Target Company as at 31 December 2013, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows of the Target Company for the period from 9 May 2013 (date of incorporation of the Target Company) to 31 December 2013 (the "Track Record Period") and together with notes thereto. The Financial Information has been prepared by the director of the Target Company for inclusion in circular dated 15 May 2014 (the "Circular") issued by Changhong Jiahua Holdings Limited (the "Company") in connection with the proposed acquisition of the entire issued share capital of the Target Company (the "Acquisition").

The Target Company was established in the British Virgin Islands (the "BVI") with limited liability on 9 May 2013. The Target Company is principally engaged in investment holding. The addresses of the registered office and the principal place of business of the Target Company are Unit 8, 3/F, Qwomar Trading Complex, Blackburne Road, Port Purcell, Road Town, Tortola, British Virgin Islands, VG1110 and Room 602, Jing An Zhong Hua Da Sha, No. 1701 Beijing Xi Lu Jing An Qu Shang Hai Shi, the People's Republic of China ("PRC"), respectively.

At the date of this report, no audited financial statements have been prepared for the Target Company as it has not carried out any business since its date of incorporation and there is no statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation. We have, however, reviewed all relevant transactions of the Target Company since its date of incorporation to 31 December 2013 and carried out such procedures as we considered necessary for inclusion of the financial information relating to the Target Company in the Financial Information.

BASIS OF PREPARATION

The Financial Information of the Target Company for the Track Record Period was prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Target Company has adopted 31 December as its financial year end date. As the Target Company has not carried out any business, we have reviewed all relevant transactions of the Target Company since its date of incorporation to 31 December 2013 and carried out such procedures as we considered necessary in preparing our report for inclusion in the Circular.

For the purpose of this report, the director of the Target Company has prepared the financial statements of the Target Company for the Track Record Period in accordance with HKFRSs issued by the HKICPA (the "Underlying Financial Statements"). We have carried out independent audit procedures on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

RESPECTIVE RESPONSIBILITIES OF DIRECTOR AND REPORTING ACCOUNTANTS

The director of the Target Company is responsible for the preparation of the Financial Information that give a true and fair view in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange ("GEM Listing Rules"), and for such internal control as the director of the Target Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error. The director of the Company is responsible for the contents of the Circular in which this report is included.

Our responsibility is to form an independent opinion on the Financial Information based on our procedures and to report our opinion thereon to you.

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have examined the Underlying Financial Statements and have carried out such appropriate procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

We have not audited any financial statements of the Target Company in respect of any period subsequent to 31 December 2013.

OPINION

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of the Target Company as at 31 December 2013 and of the results and cash flows of the Target Company for the Track Record Period.

A. FINANCIAL INFORMATION

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**Period from 9 May 2013 (date of incorporation) to 31 December 2013** *HK$'000*
Turnover	*7*	–
Administrative expenses		(8)
Loss before tax	*8*	(8)
Income tax expense	*9*	–
Loss for the period and total comprehensive expense for the period		(8)

STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2013 HK$'000
Non-current asset		
Available-for-sale investment	10	82,225
Current asset		
Bank balances	11	50
Current liability		
Amount due to a shareholder	12	58
Net current liabilities		(8)
		82,217
Capital and reserves		
Share capital	13	2
Reserves		82,215
		82,217

STATEMENT OF CHANGES IN EQUITY

	Share Capital *HK$'000*	**Capital reserve** *HK$'000* *(note a)*	**Accumula-ted losses** *HK$'000*	**Total** *HK$'000*
Issue of shares on 9 May 2013 (date of incorporation)	2	–	–	2
Waiver of amounts due to shareholders *(note 15)*	–	82,223	–	82,223
Loss and total comprehensive expense for the period	–	–	(8)	(8)
At 31 December 2013	2	82,223	(8)	82,217

Note:

(a) Capital reserve represents the deemed contribution from shareholders arising from the waiver of the amounts due to shareholders granted from the shareholders as mentioned in note 15.

STATEMENT OF CASH FLOWS

	Period from 9 May 2013 (date of incorporation) to 31 December 2013
	HK$'000
NET CASH USED IN OPERATING ACTIVITY	
Loss before tax and operating cash flows before movements in working capital	(8)
NET CASH FROM FINANCING ACTIVITY	
Advance from a shareholder	58
INCREASE IN CASH AND CASH EQUIVALENT AND CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances	50

B. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL AND BASIS OF PREPARATION OF FINANCIAL INFORMATION

The Target Company was established in the British Virgin Islands (the "BVI") with limited liability on 9 May 2013.

The principal activity of the Target Company is investment holding.

The Financial Information is presented in Hong Kong Dollar ("HK$"), which is the same as the functional currency of the Target Company. HK$ is the currency of the primary economic environment in which the Target Company operate.

As at 31 December 2013, the Target Company had net current liabilities of approximately HK$8,000. This condition indicates the existence of a material uncertainty which may cast significant doubt about the Target Company's ability to continue as a going concern. The Financial Information has been prepared on a going concern basis, the validity of which depends upon the support of its shareholder whereas the shareholder has agreed not to demand for any repayment of amount due to the shareholder of approximately HK$58,000 as at 31 December 2013 until the Target Company is in a financial position to do so. Upon completion of the Acquisition, the validity of going concern basis will depend upon the financial support of the Company, at a level sufficient to finance the working capital requirements of the Target Company. The Company has agreed to provide adequate funds for the Target Company to meet its liabilities as they fall due. The directors of the Target Company are therefore of the opinion that it is appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Target Company be unable to continue as a going concern.

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

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Target Company has consistently applied all of the new and revised Hong Kong Accounting Standards ("HKASs"), HKFRSs, amendments and interpretations ("Ints") (hereinafter collectively referred to as "new and revised HKFRSs") issued by the HKICPA which are effective for the financial year beginning on 9 May 2013.

The Target Company has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
HKFRS 14	Regulatory Deferral Accounts[4]
Amendments to HKAS 19	Defined Benefit Plans – Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to HK (International Financial Reporting Interpretation Committee) ("IFRIC") – Interpretation ("Int") 21	Levies[1]

[1] Effective for annual periods beginning on or after 1 January 2014.
[2] Effective for annual periods beginning on or after 1 July 2014.
[3] HKFRS 9, as amended in December 2013, amended the mandatory effective date of HKFRS 9. The mandatory effective date is not specified in HKFRS 9 but will be determined when the outstanding phases are finalised. However, application of HKFRS 9 is permitted.
[4] Effective for annual periods beginning on or after 1 January 2016.

Annual Improvements to HKFRSs 2010-2012 Cycle

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The director of Target Company does not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2010-2012 Cycle will have a material effect on the Target Company's Financial Information.

Annual Improvements to HKFRSs 2011-2013 Cycle

The Annual Improvements to HKFRSs 2011-2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The directors of Target Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2011-2013 Cycle will have a material effect on the Target Company's Financial Information.

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 includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements.

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 designated as at fair value through profit or loss, HKFRS 9 requires that the 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. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- HKFRS 9 introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

The effective date of HKFRS 9 is not yet determined. However, earlier application is permitted.

The directors of the Target Company anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Target Company's financial assets and financial liabilities.

Regarding the Target Company's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;

- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

The directors of the Target Company do not anticipate that the investment entities amendments will have any effect on the Target Company's Financial Information as the Target Company is not an investment entity.

Amendments to HKAS 32 Offsetting Financial Assets

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

The directors of the Target Company do not anticipate that the application of these amendments to HKAS 32 will have a significant impact on the Target Company's Financial Information as the Target Company does not have any financial assets and financial liabilities that qualify for offset.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related cash-generating unit. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or cash-generating unit was determined based on its fair value less costs of disposal.

The directors of the Target Company do not anticipate that the application of these amendments to HKAS 36 will have a significant impact on the Target Company's Financial Information.

Amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative hedging instrument arising from the novation should be included in the assessment of hedge effectiveness.

The directors of the Target Company do not anticipate that the application of these amendments to HKAS 39 will have any effect on the Target Company's Financial Information as the Target Company does not have any derivatives that are subject to novation.

HK (IFRIC) – Int 21 Levies

HK (IFRIC) – Int 21 Levies addresses the issue of when to recognise a liability to pay a levy. The interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The directors of the Target Company anticipate that the application of HK (IFRIC) – Int 21 will have no effect on the Target Company's Financial Information as the Target Company does not have any levy arrangements.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the GEM Listing Rules. These policies have been consistently applied to the Track Record Period and materially consistent with the accounting policies adopted by the Company, unless otherwise stated.

The Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Target Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/ or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Financial instruments

Financial assets and financial liabilities are recognised when an entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Financial assets are classified into the following specified categories: 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Available-for-sale financial assets

Available-for-sale ("AFS") financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy on impairment of financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognisation, loans and receivables (including bank balances) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by an entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Target Company are recognised at the proceeds received, net of direct issue costs.

Other financial liability

Other financial liability including amount due from a shareholder is subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Target Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Target Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Target Company continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Target Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Target Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Target Company derecognises financial liabilities when, and only when, the Target Company's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Cash and cash equivalents

Bank balances in the statements of financial position comprise cash at banks with a maturity of three months or less. For the purpose of the statements of cash flows, cash and cash equivalents consist of short-term deposits as defined above.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the Track Record Periods. Taxable profit differs from 'profit before tax' as reported in the statements of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Target Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Target Company intends to settle its current tax assets and liabilities on a net basis.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Company's accounting policies, which are described in note 3, the directors of the Target Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Going concern consideration

The assessment of the going concern assumption involves making a judgement by the directors of Target Company, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The directors of Target Company consider that the Target Company has the ability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt about the going concern assumption are set out in note 1.

Impairment of available-for-sale investment

The directors of the Target Group review the available-for-sales investment periodically to assess whether any impairment losses exist and any indication of impairment. The objective evidence of impairment for available-for-sale investment includes adverse changes in the financial performance of the investment, the directors of the Target Company will also consider the historical fluctuation records of market condition, financial position and performance of related industry.

5. CAPITAL RISK MANAGEMENT

The Target Company manages its capital to ensure that the Target Company will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Target Company's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Target Company consists of bank balances, amount due to a shareholder and equity attributable to owner of the Target Company, comprising issued share capital and reserves.

The directors of the Target Company review the capital structure regularly. As part of this review, the directors of the Target Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Target Company, the Target Company will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debts.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December 2013 *HK$'000*
Financial assets	
Available-for-sale investment	82,225
Loans and receivables (including cash and cash equivalents)	50
Financial liabilities	
Amortised cost	58

(b) Financial risk management objectives and policies

The Target Company's major financial instruments include available-for-sale investment, bank balances and amount due to a shareholder. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Liquidity risk

The Target Company was exposed to liquidity risk. As at 31 December 2013, the Target Company had net current liabilities of approximately HK$8,000. The ability of the Target Company to operate as a going concern depended on the ongoing support from its shareholder.

The directors of the Target Company have given careful consideration on the measure currently undertaken in respect of the Target Company's liquidity position. As detailed in note 1, the directors of the Target Company believe that the Target Company will be able to meet its financial obligations as they fall due in the foreseeable future.

In the management of the liquidity risk, the Target Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Target Company's operations and mitigate the effects of fluctuations in cash flows.

The remaining contractual maturity of the Target Company's non-derivative financial liabilities, based on the agreed repayment terms, as at 31 December 2013 was repayable on demand.

(c) Fair value of financial instruments

The directors of the Target Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values due to their short-term maturities.

7. TURNOVER

The Target Company did not generate any turnover during the Track Record Period.

8. LOSS BEFORE TAX

	Period from 9 May 2013 (date of incorporation) to 31 December 2013
	HK$'000
Loss before tax has been arrived at after charging:	
Staff costs (including directors' emoluments)	–
Auditor's remuneration	–

9. INCOME TAX EXPENSE

No provision for income tax has been made as the Target Company is not subject to any income tax under the laws and regulations of the BVI.

10. AVAILABLE-FOR-SALE INVESTMENT

	As at 31 December 2013
	HK$'000
Available-for-sale investment comprise:	
Unlisted investment in the PRC	
Equity interests, at cost *(Note)*	82,225

Note:

These unlisted equity interests in a private entity established in the PRC was measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Target Company are of the opinion that their fair values cannot be measured reliably.

11. BANK BALANCES

Bank balances carried interest at prevailing market rates at 0.0001% per annum throughout the Track Record Period.

12. AMOUNT DUE TO A SHAREHOLDER

The amount is unsecured, interest-free and repayable on demand.

13. SHARE CAPITAL

	As at 31 December 2013
	HK$'000
Authorised:	
50,000 ordinary shares of HK$0.2 each	10
Issued and fully paid:	
10,000 ordinary shares of HK$0.2 each	2

Upon incorporation, the authorised share capital of the Company was HK$10,000 divided into 50,000 ordinary shares of HK$0.2 each, of which 10,000 shares of HK$0.2 each were allotted and issued at par for the initial working capital.

14. RELATED PARTY TRANSACTIONS

(a) Other than those disclosed in note 15 and elsewhere in the financial statements, details of the balances with related parties are set out in the statement of financial position, note 12 to the Financial Information.

(b) Compensation to key management personnel

The directors of the Target Company consider that they are the only key management personnel of the Target Company and no remuneration has been paid to them during the Track Record Period.

15. MAJOR NON-CASH TRANSACTION

During the Track Record Period, the Target Company had entered into a sales and purchase agreement with an independent third party (the "Vendor") to acquire an unlisted equity investment with consideration of approximately RMB65,180,000 (equivalent to approximately HK$82,225,000) (the "Consideration"). Details are set out in note 10.

On 26 November 2013, the Vendor, the shareholders of the Target Company and the Target Company entered into an agreement pursuant to which the obligation to settle the Consideration was transferred from the Target Company to the shareholders in proportion to their shareholdings. The liabilities transferred has been offset by the amounts due from shareholders of approximately HK$2,000 and the balance has been waived for repayment by the shareholders. The balance waived was deemed as a contribution from shareholders and was recognised as capital reserve in the financial statements of the Target Company.

C. SUBSEQUENT FINANCIAL STATEMENTS

As at the date of this report, no audited financial statements have been prepared by the Target Company in respect of any period subsequent to 31 December 2013.

Yours faithfully,
SHINEWING (HK) CPA Limited
Certified Public Accountants
Pang Wai Hang
Practising Certificate Number: P05044

Hong Kong
15 May 2014

MANAGEMENT DISCUSSION AND ANALYSIS OF WIDE MIRACLE

Set out below is the management discussion and analysis of Wide Miracle for the period from 9 May 2013 (being date of incorporation of Wide Miracle) to 31 December 2013. The following financial information is based on the financial information of Wide Miracle as set out in Appendix II to this circular.

Business and financial review

During the period, the principal activity of Wide Miracle was investment holding. The major asset of Wide Miracle is the 10% equity interest in Changhong IT.

Liquidity and financial resources

As at 31 December 2013, the audited consolidated net asset value of Wide Miracle was approximately HK$82.2 million. Wide Miracle had an available-for-sale investment of approximately HK$82.2 million, a bank balance of approximately HK$50,000 and no external debt as at 31 December 2013.

Capital structure

As at 31 December 2013, the issued share capital of Wide Miracle was HK$2,000 comprising 10,000 issued and fully paid ordinary shares of HK$0.2 each.

Foreign exchange management

Wide Miracle is an investment holding company and did not use any derivative financial instruments for hedging purposes.

Significant investments, material acquisitions and disposals

Other than the investment in Changhong IT, Wide Miracle did not have any significant investments, material acquisition or disposal during the period.

Contingent liabilities and capital commitment

As at 31 December 2013, Wide Miracle did not have any significant contingent liabilities or capital commitment.

Pledge of assets

As at 31 December 2013, Wide Miracle did not pledge any assets to secure any general banking facilities or create any charges on its assets.

Employees

As at 31 December 2013, Wide Miracle had no employee.

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

15 May 2014

The Board of Directors
Changhong Jiahua Holdings Limited
Unit 3701, 37/F, West Tower, Shun Tak Centre,
168-200 Connaught Road Central, Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Changhong Jiahua Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") prepared by the directors of the Company for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2013, and related notes as set out on pages 57 to 60 of the circular in connection with the proposed acquisition of entire issued share capital of Wide Miracle Limited (the "Target Company") issued by the Company date 15 May 2014 (the "Circular"). The applicable criteria on the basis of which the directors of the Company have compiled the pro forma financial information are described on page 59 to 60 of the Circular.

The pro forma financial information has been compiled by the directors of the Company to illustrate the effect of acquisition of entire issued share capital of the Target Company (the "Acquisition") on the Group's financial position as at 31 December 2013 as if the Acquisition had taken place on 31 December 2013. As part of this process, information about the Group's financial position has been extracted by the directors of the Company from the Group's annual report for the year ended 31 December 2013.

Directors' Responsibility for the Pro Forma Financial Information

The directors of the Company are responsible for compiling the pro forma financial information in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 31(7) of Chapter 7 the GEM Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the pro forma financial information in accordance with paragraph 31 of Chapter 7 of the GEM Rules and with reference to AG7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in the Circular is solely to illustrate the impact of the Acquisition on unadjusted financial information of the Group as if the Acquisition had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition at 31 December 2013 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Rules.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Pang Wai Hang
Practising Certificate Number: P05044

Hong Kong

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The unaudited pro forma financial information of Changhong Jiahua Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") and Wide Miracle Limited (the "Target Company") (together with the Group, hereinafter referred to as the "Enlarged Group") (the "Unaudited Pro Forma Financial Information") has been prepared to illustrate the effect of the proposed acquisition of entire issued share capital in the Target Company (the "Acquisition").

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") for the purpose of illustrating the effect of the Acquisition as if the Acquisition had been completed on 31 December 2013.

The Unaudited Pro Forma Financial Information of the Enlarged Group is prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2013, which has been extracted from the annual report of the Group for the year ended 31 December 2013 and the audited statement of financial position of the Target Company as at 31 December 2013 as set out in Appendix II to the Circular, after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the Acquisition; and (ii) factually supportable as if the acquisition had been completed on 31 December 2013.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the historical financial information of the Group as set out in Appendix I to the Circular, financial information of the Target Company as set out in Appendix II to the Circular and other financial information included elsewhere in the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the directors of the Company for illustrative purposes only and is based on a number of assumptions, estimates and currently available information. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Enlarged Group had the Acquisition been completed as at 31 December 2013 or any future date.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

As at 31 December 2013

	The Group as at 31 December 2013	The Target Company as at 31 December 2013	Sub-total	Pro forma adjustments			The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*	*(Note 5)*	
Non-current assets							
Property, plant and equipment	28,452	–	28,452	–	–	–	28,452
Investment in a subsidiary	–	–	–	313,113	(313,113)	–	–
Available-for-sale investment	–	82,225	82,225	–	(82,225)	–	–
	28,452	82,225	110,677	313,113	(395,338)	–	28,452
Current assets							
Inventories	1,831,192	–	1,831,192	–	–	–	1,831,192
Trade and bills receivables	1,465,166	–	1,465,166	–	–	–	1,465,166
Trade deposits paid	299,246	–	299,246	–	–	–	299,246
Prepayments, deposits and other receivables	135,404	–	135,404	–	–	–	135,404
Tax recoverable	1,962	–	1,962	–	–	–	1,962
Pledged bank deposits	191,951	–	191,951	–	–	–	191,951
Bank balances and cash	499,936	50	499,986	–	–	–	499,986
	4,424,857	50	4,424,907	–	–	–	4,424,907
Current liabilities							
Trade and bills payables	1,968,262	–	1,968,262	–	–	–	1,968,262
Other payables	190,400	58	190,458	–	–	–	190,458
Customer deposits	154,707	–	154,707	–	–	–	154,707
Amount due to ultimate holding company	3,219	–	3,219	–	–	–	3,219
Tax payable	4,961	–	4,961	–	–	–	4,961
Borrowings	530,740	–	530,740	–	–	–	530,740
	2,852,289	58	2,852,347	–	–	–	2,852,347
Net current assets (liabilities)	1,572,568	(8)	1,572,560	–	–	–	1,572,560
Total assets less current liabilities	1,601,020	82,217	1,683,237	313,113	(395,338)	–	1,601,012
Non-current liabilities							
Borrowings	504,051	–	504,051	–	–	–	504,051
Deferred tax liabilities	14,072	–	14,072	–	–	–	14,072
	518,123	–	518,123	–	–	–	518,123
Net assets	1,082,897	82,217	1,165,114	313,113	(395,338)	–	1,082,889

	The Group as at 31 December 2013	The Target Company as at 31 December 2013	Sub-total	Pro forma adjustments			The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*	*(Note 5)*	
Capital and reserves							
Share capital	11,725	2	11,727	5,591	(2)	19,050	36,366
Convertible preference shares	46,947	–	46,947	–	–	(19,050)	27,897
Reserves							
Share premium	1,789,766	–	1,789,766	307,522	–	–	2,097,288
Statutory reserve	42,175	–	42,175	–	–	–	42,175
Merger reserve	(1,248,106)	–	(1,248,106)	–	–	–	(1,248,106)
Translation reserve	44,875	–	44,875	–	–	–	44,875
Other reserve	–	–	–	–	(213,498)	–	(213,498)
Capital reserve	–	82,223	82,223	–	(82,223)	–	–
Retained earnings/(Accumulated losses	295,892	(8)	295,884	–	8	–	295,892
Equity attributable to owners of the Company	983,274	82,217	1,065,491	313,113	(295,715)	–	1,082,889
Non-controlling interests	99,623	–	99,623	–	(99,623)	–	–
Total equity	1,082,897	82,217	1,165,114	313,113	(395,338)	–	1,082,889

Notes:

1. The amounts are extracted from the audited consolidated statement of financial position of the Group as at 31 December 2013 included in the published annual report of the Group for the year ended 31 December 2013.

2. The carrying amounts of assets and liabilities are extracted from the audited statement of financial position of the Target Company as at 31 December 2013 included in the accountants' report of the Target Company, as set out in Appendix II to the Circular.

3. On 21 April 2014, Changhong (Hong Kong) Enterprises Limited, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with Typical Faith Limited, Real Oasis Limited and Orient Axis Limited, to acquire the entire equity interests of the Target Company (the "SP Agreement"). The consideration will be satisfied by issuance of 223,652,000 ordinary shares of the Company at par value of HK$0.025 each.

   The fair value of the consideration for the Acquisition is measured at the market price of the shares of the Company as at 31 December 2013 which is HK$1.40 per share, giving a total of approximately HK$313,113,000 assuming the issuance was completed as at 31 December 2013. The market price of the shares will be different at the actual completion date.

   The Acquisition does not constitute a business combination under Hong Kong Financial Reporting Standard ("HKFRS") 3 "Business Combination" and will be accounted for as an asset acquisition.

4. The Target Company holds 10% of equity interests in Changhong IT Information Products Co., Ltd ("Changhong IT"), a non-wholly owned subsidiary of the Group incorporated in the People's Republic of China. Upon completion of the Acquisition, Changhong IT becomes a wholly owned subsidiary of the Enlarged Group. The change in proportion of equity interests in Changhong IT is accounted for in accordance with HKFRS 10 "Consolidated Financial Statements". Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration for the additional interests shall be recognised directly in equity and attributed to the owners of the Company.

The difference between the fair value of the consideration for the additional interests and the carrying amount of the non-controlling interests is debited to the "Other reserve", the other reserve arising is calculated as follows:

		HK$'000	*HK$'000*
Carrying amount of non-controlling interests recognised in the Group	*(a)*		99,623
Less: Consideration to acquire entire issued share capital in the Target Company	*(b)*		(313,113)
Consideration allocated to assets and liabilities other than 10% equity interests in Changhong IT of the Target Company			
– Bank balance		50	
– Amount due to a shareholder		(58)	
			(8)
Total consideration for the additional interests of Changhong IT	*(c)*		(313,121)
Excess of consideration transferred recognised in other reserve			(213,498)

(a) The non-controlling interests were measured at the proportionate share of the carrying amounts of Changhong IT's identifiable assets acquired and liabilities as per the Group's audited consolidated financial statements as at 31 December 2013.

(b) The consideration will be satisfied by issuance of ordinary shares of the Company as detailed in note 3 which is to be settled upon completion of the Acquisition on the 5th Business Day after the fulfillment of all conditions to the completion of the SP Agreement.

(c) The amount represented the deemed consideration for the acquisition of additional 10% equity interests in Changhong IT as the Group will take up the other assets and liabilities of the Target Company upon completion of the Acquisition.

(d) The available-for-sale investment represented the 10% equity interests in Changhong IT held by the Target Company and is eliminated upon completion of the Acquisition.

5. Fit Generation Holding Limited, a holder of the convertible preference shares of the Company, will exercise its right to convert 762,000,000 convertible preference shares of par value HK$0.025 each into ordinary shares of HK$0.025 each with total amount of approximately HK$19,050,000 at the date of completion of the Acquisition according to the SP Agreement.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL/CONVERTIBLE PREFERENCE SHARES

Set out below are the authorised and issued share capital of the Company (a) as at the Latest Practicable Date; and (b) after Completion and upon allotment and issue of the Consideration Shares:

(a) as at the Latest Practicable Date:

Authorised:		*HK$*
5,000,000,000	ordinary Shares	125,000,000
3,000,000,000	Convertible Preference Shares	75,000,000
Issued and fully paid:		*HK$*
469,000,000	ordinary Shares	11,725,000
1,877,868,000	Convertible Preference Shares	46,946,700

(b) after Completion and upon allotment and issue of the Consideration Shares:

Authorised:		*HK$*
5,000,000,000	ordinary Shares	125,000,000
3,000,000,000	Convertible Preference Shares	75,000,000
Issued and fully paid:		*HK$*
469,000,000	ordinary Shares in issue as at the Latest Practicable Date	11,725,000
223,652,000	Consideration Shares to be allotted and issued upon Completion	5,591,300
762,000,000	Convertible Preference Shares to be converted into ordinary shares upon Completion	19,050,000
1,454,652,000	ordinary Shares	36,366,300
1,115,868,000	Convertible Preference Shares in issue	27,896,700

3. DISCLOSURE OF INTERESTS

(a) Directors and Chief Executive

As at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest in the shares, underlying shares or debentures of the Company and 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.

Long positions in shares of associated company

Mr. Zhu, an executive director of the Company, held a 3.685% equity interest in Changhong IT, a subsidiary of the Company. *(Note)*

Note:

The registered capital of Changhong IT was RMB200,000,000.

Save as disclosed in this paragraph, as at the Latest Practicable Date, none of the Directors or chief executive 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.

(b) Substantial Shareholders

So far as is known to any Director or the chief executive of the Company, as at the Latest Practicable Date, 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 meeting of any member of the Group were as follows:

Long positions in shares

Name of Substantial shareholder	Capacity	Class of shares	Interest of shares held	Approximate percentage of interest in relevant class of shares *(Notes)* %
Sichuan Changhong *(Note 6)*	Interest of controlled company and beneficial owner	Ordinary	246,368,000 *(Note 2)*	52.53
		Preference	1,877,868,000 *(Note 3)*	100.00
Changhong (Hong Kong) Trading Limited	Interest of controlled company and beneficial owner	Ordinary	151,000,000 *(Note 4)*	32.20
		Preference	1,877,868,000 *(Note 3)*	100.00
Fit Generation	Beneficial owner	Ordinary	135,000,000	28.79
		Preference	1,877,868,000	100.00
Sichuan Investment Management Company Limited	Beneficial owner	Ordinary	83,009,340	17.70
Typical Faith	Beneficial owner	Ordinary	82,415,762 *(Note 5)*	17.57

Notes:

1. The percentages are calculated based on the total number of ordinary shares and preference shares of the Company in issue as at 31 March 2014, which were 469,000,000 and 1,877,868,000, respectively.

2. Of the 246,368,000 ordinary shares held by Sichuan Changhong, 95,368,000 ordinary shares were held directly, 16,000,000 ordinary shares were held through its wholly-owned subsidiary, Changhong (Hong Kong) Trading Limited and 135,000,000 ordinary shares were held through Fit Generation, which is wholly owned by Changhong (Hong Kong) Trading Limited.

3. 1,877,868,000 preference shares were held by Fit Generation, which is wholly owned by Changhong (Hong Kong) Trading Limited, which is a wholly-owned subsidiary of Sichuan Changhong.

4. Of the 151,000,000 ordinary shares, 16,000,000 ordinary shares were held directly and 135,000,000 ordinary shares were held through Fit Generation.

5. The percentage is calculated based on the total number of ordinary shares of the Company in issue as at the Latest Practicable Date, which was 469,000,000. Upon Completion, Typical Faith will become interested in approximately 5.67% of the issued share capital in the Company.

6. Sichuan Changhong was held as to approximately 23.19% by Sichuan Changhong Electronics Group Co., Ltd. ("Sichuan Changhong Electronics") as at the Latest Practicable Date. The entire interest in Sichuan Changhong Electronics in turn is held by 綿陽市國有資產監督管理委員會 (Mianyang Municipality State-owned Assets Supervision and Administration Commission) which is also the administrative authority for Sichuan Changhong Electronics. The members of the Mianyang Municipality State-owned Assets Supervision and Administration Commission are appointed by the Mianyang Municipality People's Government.

Save as disclosed in this paragraph, as at the Latest Practicable Date, 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.

As at the Latest Practicable Date, save as disclosed below, none of the Directors is a director or employee of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Director	Name of company which had such discloseable interest or short position	Position within such company
Zhao Yong	Sichuan Changhong	director
	Sichuan Changhong Electronics	director
Wu Xiangtao	Changhong (Hong Kong) Trading Limited	director and general manager
Tang Yun	Changhong (Hong Kong) Trading Limited	director
Yu Xiao	Sichuan Changhong Electronics	financial controller

4. MATERIAL CONTRACT

Save for the SP Agreement, there was no contract (not being contracts in the ordinary course of business) entered into by members of the Enlarged Group within two years immediately preceding the Latest Practicable Date which are or may be material.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Enlarged Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

6. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have been named in this circular or have given opinion, letter or advice contained in this circular:

Name	Qualification
REORIENT	a corporation licensed under the SFO to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) activities
SHINEWING (HK) CPA Limited	certified public accountants

Each of REORIENT and SHINEWING (HK) CPA Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter and/or reference to its name, in the form and context in which they appear.

As at the Latest Practicable Date, REORIENT and SHINEWING (HK) CPA Limited were not beneficially interested in the share capital of any member of the Group nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group, nor did it have any interest, either directly or indirectly, in the assets which have been acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2013, being the date to which the latest published audited consolidated financial statements of the Group were made up.

7. LITIGATION

On 29 July 2013, a complaint for wrongful death was filed against Apex Digital, LLC ("ADLLC"), a subsidiary of the Company, in the Los Angeles Superior Court (the "Court"). The lawsuit arose from a fire at an apartment building that caused death of the occupant in 2012. The complaint alleges that the fire was caused by a CRT television that is believed to have been manufactured by the ultimate holding company and sold by its subsidiary in 2003. On 20 February 2014, a response to the complaint was filed in the Court, ADLLC intends to vigorously defend against the allegations in the complaint.

As the legal process is still in the early stage, the outcome of the judgement from the Court with regard to the complaint is not able to be assessed reliably. Also, as of this time, the lawsuit has not had any financial impact on the Company according to the legal opinion from the Company's lawyer. The Directors believe possibility of a legal and financial liability regard to the complaint is remote and no reliable estimate can be made of the amount of the obligation at this stage. No provision was recognised on the consolidated financial position or results of operations of the Group as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Enlarged Group.

8. COMPETING INTERESTS

Sichuan Changhong is a controlling 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".

Pursuant to the acquisition from Sichuan Changhong which 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 "Changhong Jiahua Acquisition"), a deed of non-competition was entered into between Sichuan Changhong, Sichuan Changhong Electronics Group Co., Ltd. and Fit Generation, 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 Changhong Jiahua Acquisition. (Please refer to the section headed "Relationship with the Controlling Shareholders – Non-compete Undertakings" of the circular dated 12 December 2012 for further details about the deed of non-competition). The Company gradually reduced the trading business of consumer electronic products with effect from 30 June 2013, the details of which are set out in the announcement of the Company dated 11 June 2013.

To the best knowledge of the Directors, save as disclosed in this paragraph, as at the Latest Practicable Date, none of the Directors or the controlling shareholders (as defined in the GEM Listing Rules), nor their respective associates had any interests in a business, which competes or is likely to compete either directly or indirectly with the business of the Enlarged Group which would be required to be disclosed under the GEM Listing Rules.

9. DIRECTORS' INTEREST IN CONTRACTS OR ARRANGEMENTS

None of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Enlarged Group, nor had any Director had any direct or indirect interests in any assets which have been acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to, any member of the Enlarged Group since 31 December 2013, being the date to which the latest published audited consolidated financial statements of the Group were made up.

10. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, they were not aware of any material adverse change in the financial or trading position of the Enlarged Group since 31 December 2013, being the date to which the latest published audited accounts of the Company were made up.

11. AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") pursuant to Rule 5.28 of the GEM Listing Rules with written terms of reference. Currently, the Audit Committee is chaired by Mr. Jonathan Chan Ming Sun, who possesses professional accounting and financial qualifications. Its other members are Mr. Robert Ip Chun Chung, Mr. Sun Dongfeng and Mr. Cheng Yuk Kin. All of the above four Directors are independent non-executive Directors, and none of them is a former partner of the external auditor of the Group.

Mr. Jonathan CHAN Ming Sun, aged 42 joined the Company as an Independent Non-Executive Director in February 2007. Mr. Chan was appointed as the Chairman of Audit Committee and remuneration committee of the Company (the "Remuneration Committee"), also the member of nomination committee of the Company (the "Nomination Committee"). He is an associate director of Go-To-Asia Investment Limited. He also holds the position of an independent non-executive director of Xiangyu Dredging Holdings Limited (stock code: 871) and Hao Tian Resources Group Limited (stock code: 474). He obtained his Bachelor Degree of Commerce in Accounting and Computer Information System from University of New South Wales, Australia. He is also a member of Hong Kong Institute of Certified Public Accountants and CPA Australia. He has over 15 years of experience in investment and corporate finance.

Mr. Robert IP Chun Chung, aged 57, joined the Company as an Independent Non-Executive Director in February 2007. Mr. Ip is the member of Audit Committee, Remuneration Committee and Nomination Committee. He is a practising solicitor in Hong Kong and is a non-executive director of Poly Property Group Co., Limited (stock code: 119). He also holds the position of an independent non-executive director of Value Convergence Holdings Limited (stock code: 821). He obtained the Bachelor Degree in Arts from University of Hong Kong and held a CPE Diploma and Diploma in Law from the College of Law, UK. He is also a member of the Law Society of Hong Kong and the Law Society of England and Wales. He has over 32 years of experience in legal aspects.

Mr. SUN Dongfeng, aged 46, joined the Company as an Independent Non-Executive Director in February 2007. Mr. Sun is the member of Audit Committee, Remuneration Committee and Nomination Committee. He is a senior partner of Guantao Law Firm as well as a legal advisor for a number of companies. He graduated from China University of Political Science and Law in the PRC, and obtained a Master Degree of Law in International Economics from the School of Law of University of Canberra, Australia. He has over 21 years of experience in legal aspects.

Mr. CHENG Yuk Kin, aged 38, joined the Company as an Independent Non-Executive Director in November 2012. Mr. Cheng is a member of Audit Committee. He is an executive director of Ivory Capital Private Limited. He obtained his Bachelor Degree of Business Administration in Finance from Hong Kong University of Science and Technology and obtained a Master Degree of Business Administration from the George Washington University School of Business in USA. He is also a member of American Institutional Certified Public Accountants. He has over 16 years of experience in corporate finance and audit.

12. INTERESTS OF THE COMPLIANCE ADVISER

As notified by Platinum Securities Company Limited ("Platinum Securities"), the compliance adviser of the Company, neither Platinum Securities nor its directors or employees or associates had any interests in the share capital of the Company or any member of the Enlarged Group (including options or rights to subscribe for such securities) as at the Latest Practicable Date. Pursuant to the agreement dated 13 November 2012 entered into between Platinum Securities and the Company, Platinum Securities received and will receive fees for acting as the compliance adviser of the Company until the expiry of such agreement.

13. GENERAL

(a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

(b) The head office and principal place of business of the Company in Hong Kong is at Unit 3701, 37/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

(c) The company secretary of the Company is Mr. Lee Wing Lun, who is a member of the Hong Kong Institute of Certified Public Accountants, CPA Australia, the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administration.

(d) The compliance adviser of the Company is Platinum Securities.

(e) The Company's branch share registrar and transfer office in Hong Kong is 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(f) This circular has been prepared in both English and Chinese. In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (Saturdays and public holidays excepted) from 10:00 a.m. to 1:00 p.m. and from 2:00 p.m. to 5:00 p.m. at the office of Unit 3701, 37/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong from the date of this circular up to and including the date of the SGM:

(a) the memorandum of association and the bye-laws of the Company;

(b) the annual reports of the Company for the years ended 31 December 2012 and 2013;

(c) the written consents referred to in the section headed "Experts and consents" in this appendix;

(d) the material contract referred to in the section headed "Material contract" in this appendix;

(e) the letter of advice issued by REORIENT set out in the part headed "Letter from REORIENT" of this circular;

(f) the accountants' report on Wide Miracle, the text of which is set out in Appendix II of this circular; and

(g) the report on the unaudited pro forma financial information on the Enlarged Group as set out in Appendix IV to this circular.

长虹佳华
CHANGHONG IT

CHANGHONG JIAHUA HOLDINGS LIMITED
(長虹佳華控股有限公司)

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

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of Changhong Jiahua Holdings Limited ("**Company**") will be held at Unit 3701, 37/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong at 10:30 a.m. on Thursday, 5 June 2014 to consider and, if thought fit, pass the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

1. "**THAT**:

(a) the sale and purchase agreement ("**SP Agreement**") dated 21 April 2014 entered into between Changhong (Hong Kong) Enterprises Limited ("**Changhong (Hong Kong) Enterprises**") and the Vendors (as defined in the circular of the Company dated 15 May 2014, a copy of which is marked "A" and signed by the chairman of the meeting for identification purpose has been tabled at the meeting) in relation to the proposed acquisition of 10,000 shares of HK$0.2 each in, representing the entire issued share capital of, Wide Miracle Limited by Changhong (Hong Kong) Enterprises ("**Sale Shares**") (a copy of the SP Agreement is marked "B" and signed by the chairman of the meeting for identification purpose has been tabled at the meeting) be and is hereby approved, ratified and confirmed;

(b) subject to completion of the acquisition of the Sale Shares, the directors of the Company ("**Directors**") be and are hereby authorised to exercise all the powers of the Company and to take all steps as might in their opinion be desirable or necessary in connection with the SP Agreement, including without limitation, to allot and issue 223,652,000 shares at an issue price of HK$1.00 each of the Company ("**Consideration Shares**") pursuant to the SP Agreement; and

(c) all other transactions contemplated under the SP Agreement be and are hereby approved and any one Director be and is authorised to do all such acts and things, to sign and execute such documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as he considers necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with the SP

Agreement, the allotment and issue of the Consideration Shares and to agree to such variation, amendments or waiver of matters relating thereto as are, in the opinion of such Director, in the interests of the Company and its shareholders as a whole."

On behalf of the Board
Changhong Jiahua Holdings Limited
Zhao Yong
Chairman

15 May 2014

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal place of business in Hong Kong:
Unit 3701, 37/F West Tower, Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Notes:

(1) A member of the Company entitled to attend and vote at the special general meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the bye-laws of the Company, to vote on his/her behalf. A proxy need not be a member of the Company but must be present in person at the special general meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

(2) In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the office of the Company's branch share registrar and transfer office in Hong Kong, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or adjourned meeting. Completion and return of the form of proxy will not preclude a member of the Company from attending and voting in person at the special general meeting or any adjournment thereof, should he/she so wish.

(3) Completion and return of an instrument appointing a proxy will not preclude a member of the Company from attending and voting in person at the meeting and/or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.

(4) As required under the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the above resolution will be decided by way of poll.

(5) As at the date of this notice, the executive directors of the Company are Mr. Zhao Yong, Mr. Zhu Jianqiu, Mr. Yu Xiao, Mr. Tang Yun, Mr. Wu Xiangtao, Ms. Shi Ping and Mr. Xiang Chao Yang 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.