



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

(Incorporated in Bermuda with limited liability)

(Stock Code: 8016)

THIRD QUARTERLY RESULTS ANNOUNCEMENT
FOR THE PERIOD ENDED 30 SEPTEMBER 2015

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This announcement, for which the directors (the “Directors”) of Changhong Jiahua Holdings Limited (the “Company” together with its subsidiaries, the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

The Group's consolidated turnover for the nine months period ended 30 September 2015 was increased by approximately 13.98% to HK\$14,317.72 million comparing with that for the same period in 2014. The Group achieved net profit of approximately HK\$121.93 million for the nine months ended 30 September 2015, representing a decrease of approximately 12.36% comparing with that for the same period in 2014. This was due to a combination of various factors, including the scale down of the Group's consumer electronic products business, the fierce competition within the industry, the complicated global economy and the sluggish market demand.

RESULTS

The board of directors (the "Board") of the Company is pleased to announce the unaudited results of the Group for the three months period and nine months period ended 30 September 2015, together with the comparative figures for the corresponding periods of 2014, as follows:

	<i>Notes</i>	For three months ended 30 September		For nine months ended 30 September	
		2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Turnover	2	5,597,380	4,564,532	14,317,716	12,561,658
Cost of sales		(5,403,628)	(4,387,305)	(13,775,800)	(12,021,185)
Gross profit		193,752	177,227	541,916	540,473
Other income		1,402	13,046	9,443	17,123
Administrative expenses		(26,820)	(32,881)	(94,313)	(96,266)
Distribution and selling expenses		(82,554)	(72,845)	(227,241)	(210,335)
Profit from operation		85,780	84,547	229,805	250,995
Finance cost		(41,041)	(17,269)	(68,161)	(54,566)
Profit before taxation		44,739	67,278	161,644	196,429
Income tax expense	4	(12,016)	(23,804)	(39,712)	(57,304)
Profit and total comprehensive income for the period		<u>32,723</u>	<u>43,474</u>	<u>121,932</u>	<u>139,125</u>
Total comprehensive income for the period attributed to:					
Owners of the Company		32,723	43,474	121,932	130,946
Non-controlling interest		<u>-</u>	<u>-</u>	<u>-</u>	<u>8,179</u>
		<u>32,723</u>	<u>43,474</u>	<u>121,932</u>	<u>139,125</u>
Earnings per share					
Basic and diluted (HK cents)	5	<u>1.27</u>	<u>1.78</u>	<u>4.74</u>	<u>5.69</u>

Notes:

1. BASIS OF PREPARATION

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

2. TURNOVER

The principal activities of the Group include the provision of professional integrated information technology (“IT”) solutions and services, distribution of IT consumer products, IT corporate products, digital products, self developed products, consumer electronic products and related parts and components.

Turnover represents net amount received and receivable for the sale of different types of IT products, self developed products, provision of professional integrated IT solutions and services and trading of consumer electronic products, net of discounts and corresponding sales related taxes. The amounts of each significant category of revenue recognised in turnover for the period ended 30 September 2015 and 2014 are as follows:

	2015 <i>HK\$’000</i>	2014 <i>HK\$’000</i>
IT Consumer Products	10,043,962	8,735,129
IT Corporate Products	3,523,051	3,282,589
Consumer Electronic Products	147,772	419,837
Others	602,931	124,103
	<u>14,317,716</u>	<u>12,561,658</u>

3. SEGMENT INFORMATION

The chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided as they collectively make strategic decision towards the Group’s operation.

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

- (a) IT Consumer Products – distribution of IT consumer products which include mainly personal computers (“PC”), digital products and IT accessories.
- (b) IT Corporate Products – distribution of IT corporate products which include mainly storage products, minicomputers, networking products, personal computer servers, intelligent building management system (“IBMS”) products and unified communication and contact centre (“UC & CC”) products.

- (c) Consumer Electronic Products – trading of consumer electronic products which include mainly liquid crystal display (“LCD”) panels, electronic parts and components.
- (d) Others – distribution of smartphones and development of its self developed products including but not limited to mobile location-based service products and provision of professional integrated IT solutions and services.

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

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

	IT Consumer products <i>HK\$’000</i>	IT Corporate products <i>HK\$’000</i>	2015 Consumer Electronic products <i>HK\$’000</i>	Others <i>HK\$’000</i>	Total <i>HK\$’000</i>
Revenue					
External sales	<u>10,043,962</u>	<u>3,523,051</u>	<u>147,772</u>	<u>602,931</u>	<u>14,317,716</u>
Segment profit	<u>96,719</u>	<u>213,532</u>	<u>617</u>	<u>4,841</u>	315,709
Other income					9,443
Finance costs					(68,161)
Unallocated head office and corporate expenses					<u>(95,347)</u>
Profit before tax					<u>161,644</u>
	IT Consumer products <i>HK\$’000</i>	IT Corporate products <i>HK\$’000</i>	2014 Consumer Electronic products <i>HK\$’000</i>	Others <i>HK\$’000</i>	Total <i>HK\$’000</i>
Revenue					
External sales	<u>8,735,129</u>	<u>3,282,589</u>	<u>419,837</u>	<u>124,103</u>	<u>12,561,658</u>
Segment profit	<u>135,900</u>	<u>195,999</u>	<u>1,764</u>	<u>(1,932)</u>	331,731
Other income					17,123
Finance costs					(54,566)
Unallocated head office and corporate expenses					<u>(97,859)</u>
Profit before tax					<u>196,429</u>

Geographical information

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Mainland, China	14,237,028	12,244,990
Europe	3,474	–
South America	1,103	670
Hong Kong	74,100	274,548
Africa	–	8,916
Middle East	–	19,030
Australia	1,693	5,023
Other Asian District	318	8,481
	14,317,716	12,561,658

4. INCOME TAX EXPENSE

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

Hong Kong profits tax is calculated at 16.5% (2014: 16.5%) of the estimated assessable profit for the period ended 30 September 2015 (2014: Nil).

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rates of the Company's PRC subsidiaries is 25% for the period ended 30 September 2015 and 30 September 2014.

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

5. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months and the nine months ended 30 September 2015 was based on the net profit for the period attributable to owners of the Company of HK\$32,723,000 (2014: HK\$43,474,000) for the three months ended 30 September 2015 and the net profit for the period attributable to owners of the Company of HK\$121,932,000 (2014: HK\$139,125,000) for the nine months ended 30 September 2015 and on 1,454,652,000 (2014: 1,454,652,000) ordinary shares and 1,115,868,000 (2014: 1,115,868,000) preference shares in issue during the three months and the nine months ended 30 September 2015. The convertible preference shares can be converted subject to the requirement of the public float.

As there was no diluted shares during the three months and the nine months ended 30 September 2015 and 2014, the diluted earnings per share was same as basic earnings per share.

6. RESERVES

Except for a reduction of share premium approved on 15 May 2015, there was no other movement to and from any reserves during the period under review (2014: no movement).

DIVIDENDS

The Directors do not recommend the payment of any dividend for the period ended 30 September 2015 (2014: Nil). The declared interim dividend for the period ended 30 June 2015 of HK\$51,410,400 (HK\$0.02 per Share) will be paid in Hong Kong dollars on 28 October 2015 to Shareholders of the Company whose names appear on the register of members of the Company of the close of business on 13 October 2015.

BUSINESS REVIEW

In the first three quarters of 2015, the domestic and overseas economic environment were both challenging with slow recovery in the global economy and sluggish growth in the PRC economy. Seizing the business opportunities presented by “Internet+”, the Group took proactive efforts to establish internet distribution platform. Capitalized on the emerging technologies such as big data and cloud computing, the Group cooperated with a number of international IT vendors to offer solutions for various industries, which were widely used. In the first three quarters of 2015, the Group maintained stable operation of the core businesses and achieved satisfactory growth by optimizing business structure and organizational structure as well as implementing strict control over costs and cash flows.

The Group recorded sales revenue of approximately HK\$14,317.72 million in the first three quarters of 2015, representing an increase of 13.98% as compared with that in the corresponding period of the last financial year. In view of the fierce market competition, the overall gross margin in the first three quarters of this year was 3.78%, representing a decrease of approximately 0.52% as compared with that in the corresponding period of the last financial year. In the first three quarters of 2015, profit attributable to shareholders amounted to approximately HK\$121.93 million, representing a decrease of approximately 12.36% as compared with that in the corresponding period of the last financial year, and basic earnings per share amounted to HK4.74 cents, representing a decrease of approximately HK0.95 cent as compared with HK5.69 cents in the corresponding period of the last financial year.

IT consumer products distribution business: efforts were made during the period under review to explore new cooperation models with core providers with the objective in expanding the Group's business coverage. The Group leveraged on mobile internet platform to sell products and provide training services, so as to promote business coverage and penetration into markets in the fourth to sixth tier cities in China. The turnover of this segment increased by approximately 14.98% to HK\$10,043.96 million as compared with the corresponding period of last year, while the profit generated from it decreased by approximately 28.83% to HK\$96.72 million.

IT corporate products distribution business: by leveraging on technology platforms such as cloud computing and visualization as well as promoting the integration of branded products and self-developed solutions, the Group developed and launched a series of industry solutions catering to the development needs of the medical, education and finance industries and the SMEs. The turnover of this segment increased by approximately 7.33% to HK\$3,523.05 million as compared with the corresponding period of last year, while the profit generated from it increased by approximately 8.95% to HK\$213.53 million.

Consumer electronic products business: this segment has ceased operation since June 2015 due to the incident of a suspected misappropriation of certain assets of a wholly-owned subsidiary of the Company by a former employee. In the first three quarters of 2015, the turnover of this segment decreased by approximately 64.80% to HK\$147.77 million as compared with the corresponding period of last year, while the profit generated from it decreased by approximately 65.02% to HK\$617,000. Please also refer to the announcements of the Company dated 15 June 2015 and 20 July 2015 for further information in relation to the suspected misappropriation.

Other business: the turnover of this segment increased by approximately 385.83% to HK\$602.93 million in the third quarter of 2015 as compared with the corresponding period of last year, and the profit generated from it increased substantially by approximately 350.57% to HK\$4.84 million.

To enhance the trading liquidity of the shares of the Company and to promote the Company's corporate image to public investors, the Company made an application to the Stock Exchange on 28 April 2015 for the Transfer of Listing in respect of the Company from the GEM Board to the Main Board. For further details, please refer to the announcements of the Company dated 28 April 2015. Further updates will be provided by the Company from time to time as and when appropriate.

During the period under review, the management of Changhong Overseas Development Limited ("CHOD") reported to the Board that a former employee of CHOD has misappropriated certain assets of CHOD and the case has been reported to the Hong Kong Police on 14 June 2015 (the "Incident"). An independent committee comprising all the independent non-executive Directors has been established and an independent accountant has been engaged to investigate the Incident. Based on the information currently available to the audit committee of the Company, the audit committee of the Company is of the view that the Incident does not have a material impact on any financial statements of the Group for the prior years and no adjustments thereof is expected at this stage. For further details, please refer to the announcements of the Company dated 15 June 2015, 19 June 2015, 20 July 2015 and 19 October 2015.

Contingent Liabilities

In relation to the Incident, three writs of summons (“Summons”) have been issued against CHOD in the District Court of the Hong Kong Special Administrative Region from purported suppliers of CHOD demanding payment of USD81,144.00, USD81,379.20 and USD415,408.00, respectively. CHOD is in the course of seeking legal advice regarding the claims from these purported suppliers.

Establishment of a limited partnership

In order to participate in and benefit from the development of new intellectual technology areas in China, Changhong IT Digital Technology Co., Ltd., an indirect wholly-owned subsidiary of the Company, (“Changhong IT Digital”), together with, among others, Sichuan Changhong Electric Co., Limited (the controlling shareholder of the Company) entered into a partnership agreement on 11 April 2015 (the “Partnership Agreement”). Pursuant to the Partnership Agreement, Changhong IT Digital will contribute RMB27.5 million and own 11.00% equity interests as a limited partner upon the establishment of this limited partnership. The scope of investment of this limited partnership will primarily focus on enterprises with high growth potential who are engaging in new intellectual technology areas including, among others, the development of smart terminal technology enhancing hardware and software, innovative smart terminal equipment, cloud computing and big data technology. For further details in relation to the establishment of this limited partnership, please refer to the announcement of the Company dated 11 August 2015.

OUTLOOK

In the second half of 2015, it is expected that the PRC economy will continue to experience slowdown and may gradually stabilize in the last quarter of 2015. To deal with the challenges arising from the weak market demands and changes in the industry, the Group will, by adhering to the policy of “exploring new ways, expanding the market territory through the internet platform, and offering a quality service to partners”, accelerate the construction of internet distribution platform and marketing system and continue to develop industry solutions catering to specific needs of various customers at different levels, so as to improve the Group’s service strength and competitiveness, promote sustainable business development and create new value to the shareholders of the Company as a whole.

CORPORATE GOVERNANCE

The Company endeavours to adopt prevailing best corporate governance practices. For the nine months ended 30 September 2015, the Company had complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules.

AUDIT COMMITTEE

The primary responsibilities of the audit committee of the Company (the “Audit Committee”) are to review and supervise the financial reporting process and internal control system of the Group. The members of the Audit Committee are Mr. Jonathan Chan Ming Sun (chairman), Mr. Robert Ip Chun Chung, Mr. Sun Dongfeng and Mr. Cheng Yuk Kin.

The Audit Committee has reviewed the Group’s results for the period ended 30 September 2015 and has provided advice and comments thereon.

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

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

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

INTERESTS OF THE DIRECTORS IN THE COMPANY

As at 30 September 2015, the interests and short positions of the Directors and chief executives of the Company in the ordinary shares of the Company (the “Shares”), underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the “SFO”)) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

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

Notes:

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

Save as disclosed in this paragraph, as at 30 September 2015, none of the Directors or chief executives of the Company had interests in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period under review were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate. No options have been granted to the Directors up to the date of this announcement.

INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS IN THE COMPANY

So far as was known to the Directors, as at 30 September 2015, the persons or companies (not being a Director or chief executive of the Company) whose interests in the Shares or underlying Shares or debentures of the Company which would fall to be disclosed or were notified to the Company and the Stock Exchange pursuant to the positions under Divisions 2 and 3 of Part XV of the SFO, or which were as recorded in the register required to be kept under section 336 of the SFO or who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group were as follows:

Long positions in shares

Name of substantial shareholder	Capacity	Class of shares	Number of shares held	Approximate percentage of interest in relevant class of shares (Notes 1) %
Sichuan Changhong Electric Co., Limited (“Sichuan Changhong”)	Interest of controlled corporation and beneficial owner	Ordinary	1,008,368,000 (L) (Note 2)	69.32
		Preference	1,115,868,000 (L) (Note 3)	100.00
Changhong (Hong Kong) Trading Limited	Interest of controlled corporation and beneficial owner	Ordinary	913,000,000 (L) (Note 4)	62.76
		Preference	1,115,868,000 (L) (Note 3)	100.00
Fit Generation Holding Limited	Beneficial owner	Ordinary	897,000,000 (L)	61.66
		Preference	1,115,868,000 (L)	100.00
Sichuan Investment Management Company Limited (Note 5)	Beneficial owner	Ordinary	83,009,340 (L)	5.70
Typical Faith Limited (Note 6)	Beneficial owner	Ordinary	82,415,762 (L)	5.67

Notes:

- The percentages are calculated based on the total number of Shares and preference shares of the Company in issue as at 30 September 2015, which were 1,454,652,000 and 1,115,868,000, respectively.
- Of the 1,008,368,000 Shares held by Sichuan Changhong, 95,368,000 Shares were held directly, 16,000,000 Shares were held through its wholly-owned subsidiary, Changhong (Hong Kong) Trading Limited and 897,000,000 Shares were held through Fit Generation Holding Limited, which is wholly-owned by Changhong (Hong Kong) Trading Limited.

3. 1,115,868,000 preference shares were held by Fit Generation Holding Limited, which is wholly-owned by Changhong (Hong Kong) Trading Limited, which is a wholly-owned subsidiary of Sichuan Changhong.
4. Of the 913,000,000 Shares, 16,000,000 Shares were held directly and 897,000,000 Shares were held through Fit Generation Holding Limited.
5. Upon completion the acquisition of the entire issued share capital of Wide Miracle Limited on 5 June 2014, Sichuan Investment Management Company Limited ceased to be a connected person of the Company and its shareholding in the Company is counted towards public float.
6. Typical Faith Limited is wholly-owned by Mr. Zhu.

Save as disclosed above, as at 30 September 2015, the Directors were not aware of any other person who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 5% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

DIRECTOR'S INTEREST IN A COMPETING BUSINESS

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

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

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

The Company has adopted a code of conduct regarding securities transactions by Directors (the "Code of Conduct") in accordance with the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct for securities transactions. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standards set out in the Code of Conduct throughout the nine months ended 30 September 2015.

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

Hong Kong, 19 October 2015

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

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