

**长虹佳华**  
**CHANGHONGIT**

# CHANGHONG JIAHUA HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 8016

INTERIM REPORT  
**2016**



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*This report, for which the directors (the “Directors”) of Changhong Jiahua Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## UNAUDITED INTERIM RESULTS

The board of Directors of the Company (the “Board”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (together, the “Group”) for the three months and six months ended 30 June 2016 together with the unaudited comparative figures for the respective corresponding period in 2015 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
<b>Continuing operations</b>					
Revenue	2	4,588,235	4,756,359	9,029,158	8,572,564
Cost of sales		(4,384,865)	(4,583,742)	(8,648,213)	(8,225,017)
Gross profit		203,370	172,617	380,945	347,547
Other income		896	6,675	1,713	8,019
Administrative expenses		(31,120)	(37,311)	(62,708)	(65,894)
Distribution and selling expenses		(61,391)	(73,340)	(125,488)	(143,793)
<b>Profit from operation</b>	4	111,755	68,641	194,462	145,879
Finance cost		(13,963)	(15,327)	(25,828)	(27,120)
Profit before taxation		97,792	53,314	168,634	118,759
Income tax expense	5	(24,703)	(10,876)	(42,192)	(27,696)
Profit for the period from continuing operations		73,089	42,438	126,442	91,063
<b>Discontinued operation</b>					
Profit/(loss) from discontinued operation	9	(426)	(1,492)	785	(1,854)
<b>Profit for the period</b>		72,663	40,946	127,227	89,209
<b>Profit for the period attributed to owners of the Company</b>					
– from continuing operations		73,089	42,438	126,442	91,063
– from discontinued operation	9	(426)	(1,492)	785	(1,854)
		72,663	40,946	127,227	89,209
<b>Earnings per share</b>					
From continuing and discontinued operations					
Basic and diluted (HK cents)	6	2.83	1.59	4.95	3.47
From continuing operations					
Basic and diluted (HK cents)	6	2.84	1.65	4.92	3.54

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	<b>30 June 2016</b> <b>HK\$'000</b> <b>(Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Plant and equipment		20,938	25,287
Available-for-sale investment		9,653	9,849
		<b>30,591</b>	35,136
<b>CURRENT ASSETS</b>			
Inventories		1,562,429	1,613,065
Trade and bills receivables	7	1,290,705	1,465,233
Trade deposits paid		636,990	775,599
Prepayments, deposits and other receivables		29,882	26,565
Pledged bank deposits		150,212	107,646
Cash and bank balances		192,207	150,970
		<b>3,862,425</b>	4,139,078
Assets classified as discontinued operation	9	194	2,150
		<b>3,862,619</b>	4,141,228
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	8	1,762,318	1,995,326
Other payables		114,604	161,285
Customer deposits		103,596	193,621
Dividend payable		179	–
Tax payable		68,576	7,460
Borrowings		510,704	524,925
		<b>2,559,977</b>	2,882,617
Liabilities associated with assets classified as discontinued operation	9	9,544	14,801
		<b>2,569,521</b>	2,897,418
<b>NET CURRENT ASSETS</b>		<b>1,293,098</b>	1,243,810
<b>TOTAL ASSET LESS CURRENT LIABILITIES</b>		<b>1,323,689</b>	1,278,946
<b>NON-CURRENT LIABILITIES</b>			
Deferred income		2,482	4,725
<b>NET ASSETS</b>		<b>1,321,207</b>	1,274,221
<b>CAPITAL AND RESERVES</b>			
Share capital		36,366	36,366
Convertible preference shares		27,897	27,897
Reserves		1,256,944	1,209,958
<b>TOTAL EQUITY</b>		<b>1,321,207</b>	1,274,221

## CONDENSED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

	For the six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
As at 1 January	1,274,221	1,268,683
Dividend payment	(51,410)	–
(Decrease)/Increase in exchange differences arising on translation	(28,831)	5,552
Net profit for the period attributable to shareholders	127,227	89,209
	<u>1,321,207</u>	<u>1,363,444</u>
As at 30 June	<u>1,321,207</u>	<u>1,363,444</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW – UNAUDITED

	For the six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	<u>147,297</u>	<u>(346,714)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(41,726)</u>	<u>(12,448)</u>
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	<u>(21,613)</u>	<u>234,644</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	83,958	(124,518)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<u>258,616</u>	<u>453,335</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE	<u>342,574</u>	<u>328,817</u>
Represented by cash and bank balances and pledged bank deposits	<u>342,574</u>	<u>328,817</u>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

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

### 2. REVENUE

The principal activities of the Group are the provision of professional integrated information technology (“IT”) solutions and services, and distribution of IT corporate products, digital products, and self developed products.

Revenue 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 corresponding sales related taxes. The amounts of each significant category of revenue recognised in revenue for the period ended 30 June 2016 and 2015 are as follows:

	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
IT Consumer Products	<b>4,601,378</b>	5,978,645
IT Corporate Products	<b>2,234,574</b>	2,282,362
Others	<b>2,193,206</b>	311,557
	<b><u>9,029,158</u></b>	<u>8,572,564</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 entity operation.

The Company had ceased Consumer Electronic Products segment since July 2015 after the business discontinuation of Changhong Overseas Development Limited (“CHOD”) following an internal review of the Company in June 2015. For details, please refer note 9.

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) Others – distribution of smartphones and development of its own brand products but not limited to mobile location-based service (“LBS”) products and provision of professional integrated IT solutions and services.

Segment profit represents the profit earned by each segment without allocation of other income, finances cost as well as unallocated 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 for the period ended 30 June 2016 and 2015:

	2016			
	IT Consumer Products <i>HK\$'000</i>	IT Corporate Products <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Revenue</b>				
External sales	<u>4,601,378</u>	<u>2,234,574</u>	<u>2,193,206</u>	<u>9,029,158</u>
<b>Segment profit</b>	<u>80,872</u>	<u>145,077</u>	<u>24,661</u>	250,610
Other income				1,713
Finance costs				(25,828)
Unallocated head office and corporate expenses				<u>(57,861)</u>
<b>Profit before tax</b>				<u><u>168,634</u></u>

	2015			
	IT Consumer Products <i>HK\$'000</i>	IT Corporate Products <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Revenue</b>				
External sales	<u>5,978,645</u>	<u>2,282,362</u>	<u>311,557</u>	<u>8,572,564</u>
<b>Segment profit</b>	<u>59,962</u>	<u>142,199</u>	<u>1,593</u>	203,754
Other income				8,019
Finance costs				(27,120)
Unallocated head office and corporate expenses				<u>(65,894)</u>
<b>Profit before tax</b>				<u>118,759</u>

#### Geographical information

The following provides an analysis of the Group's sales by geographical market for the period ended 30 June 2016 and 2015, based on the origin of the goods:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Mainland, China	<b>9,002,624</b>	8,549,208
Other regions	<u>26,534</u>	<u>23,356</u>
	<u><b>9,029,158</b></u>	<u>8,572,564</u>

#### 4. PROFIT FROM OPERATION

The Group's profit from operation has been arrived at after charging/(crediting) for the period ended 30 June 2016 and 2015:

	<b>2016</b>	2015
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Cost of inventories sold	<b>8,648,213</b>	8,225,017
Depreciation	<b>2,554</b>	2,772
Staff cost including directors' emolument		
– Salary and related staff cost	<b>101,944</b>	98,407
– Retirement benefits scheme contribution	<b>10,013</b>	10,651
Exchange loss/(gain), net	<b><u>1,824</u></b>	<u>(2,581)</u>

#### 5. INCOME TAX EXPENSE

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

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the period ended 30 June 2016 and 2015.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rates of the Company's PRC subsidiaries is 25% for the period ended 30 June 2016 and 2015.

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

## 6. EARNINGS PER SHARE

### From continuing and discontinued operations

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	For the three months ended 30 June		For the six months ended 30 June	
	2016	2015	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Earnings</b>				
Profit for the period attributable to owners of the Company	<u>72,663</u>	<u>40,946</u>	<u>127,227</u>	<u>89,209</u>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>'000</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>
<b>Number of Share</b>				
Weighted average number of ordinary shares and convertible preference shares for the purpose of basic and diluted earnings per share	<u>2,570,520</u>	<u>2,570,520</u>	<u>2,570,520</u>	<u>2,570,520</u>

As there were no dilutive potential shares during the three months and the six months ended 30 June 2016 and 2015, the diluted earnings per share is the same as basic earnings per share.

## From continuing operations

The calculation of the basic and diluted earnings per share from continuing operation attributable to the owners of the Company is based on the following data:

Earnings figures are calculated as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Profit for the period attributable to owners of the Company	72,633	40,946	127,227	89,209
Add:				
(Profit)/Loss for the period from discontinued operation	426	1,492	(785)	1,854
Earnings for the purpose of basic and diluted earnings per share from continuing operations	<u>73,089</u>	<u>42,438</u>	<u>126,442</u>	<u>91,063</u>

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

## From discontinued operation

The basic and diluted loss per share for the discontinued operation for the three months ended 30 June 2016 is HK\$0.0002 (2015: HK\$0.0006) based on the loss for the period from the discontinued operation of approximately HK\$426,000 (2015: HK\$1.49 million). Whereas the basic and diluted earning per share for the discontinued operation for the six months ended 30 June 2016 is HK\$0.0003 (2015 loss: HK\$0.0007) based on the profit for the period from the discontinued operation of approximately HK\$785,000 (2015 loss: HK\$1.85 million).

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

## 7. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of 30 to 180 days. Overdue balances are reviewed regularly by senior management. An ageing analysis of the trade receivables as at the balance sheet date, based on invoice date, is as follows:

	2016 HK\$'000	2015 HK\$'000
Within 3 months	915,314	1,199,610
4 to 6 months	229,109	182,438
7 to 12 months	94,227	45,549
Over 1 year	52,055	37,636
	<u>1,290,705</u>	<u>1,465,233</u>

## 8. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the balance sheet date, based on date of receipt of goods, is as follows:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 3 months	1,423,711	1,977,590
4 to 6 months	303,993	3,483
7 to 12 months	29,590	6,151
Over 1 year	5,024	8,102
	<u>1,762,318</u>	<u>1,995,326</u>

## 9. DISCONTINUED OPERATION

The results of the consumer electronic products for the period ended 30 June 2016 and 2015 were as follows:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Revenue</b>	<b>372</b>	147,772
Cost of sales	<u>(729)</u>	<u>(147,155)</u>
Gross (loss)/profit	(357)	617
Other income	236	22
Distribution of selling expenses	–	(894)
Administrative expenses	952	(1,599)
Finance costs	<u>(46)</u>	<u>–</u>
<b>Profit/(loss) before taxation</b>	<b>785</b>	(1,854)
Income tax expenses	<u>–</u>	<u>–</u>
<b>Profit/(loss) for the period from discontinued operation</b>	<u><b>785</b></u>	<u>(1,854)</u>

The major classes of assets and liabilities of the consumer electronic products as at 30 June 2016 and 31 December 2015, which have been presented separately in the consolidated statement of financial position, are as follows:

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Plant and equipment	9	15
Inventories	–	728
Prepayments, deposits and other receivables	30	716
Bank balances and cash	<u>155</u>	<u>691</u>
<b>Total assets classified as discontinued operation</b>	<b><u>194</u></b>	<b><u>2,150</u></b>
Trade and bills payables ( <i>Note</i> )	7,845	9,575
Provision ( <i>Note</i> )	713	3,756
Other payables	488	972
Customer deposits	<u>499</u>	<u>498</u>
<b>Total liabilities associated with assets classified as discontinued operation</b>	<b><u>9,544</u></b>	<b><u>14,801</u></b>

*Note:*

On 16 June 2015, certain purported suppliers of the CHOD had made visits to the office of CHOD to seek for outstanding payments resulted from misappropriation of assets by an ex-employee. Details are set out in the Company's announcements dated 19 June 2015, 20 July 2015 and 19 October 2015.

Afterwards, CHOD entered into settlement agreements with the purported suppliers in respect of their claims. CHOD has mutually agreed with most of these purported suppliers for the settlement payments in respect of the claims from them.

On 30 June 2016, there were certain outstanding claims from purported suppliers with total amount of approximately HK\$8,451,000. In the opinion of directors of the Company, an additional provision of approximately HK\$713,000 was made for these claims. These have been recognised in the liabilities associated with assets classified as discontinued operation included in the consolidated statement of financial position.

## **DIVIDEND**

The Directors do not recommend the payment of any dividend for the period ended 30 June 2016 (2015: HK\$0.02 per share).

The payment of a final dividend of HK\$0.02 per share for the year ended 31 December 2015 has been resolved and declared at the annual general meeting of the Company held on 19 May 2016. The date of payment was on 7 June 2016.

## **BUSINESS REVIEW**

In the first half of 2016, global economic growth further slowed down due to the lower than expected growth of developed economies. China's economic growth decelerated and market demand sentiment remained grim. The Group continued to implement the guideline of "focusing on optimization, targeting on high efficiency and achieving new development". In the first half of 2016, traditional distribution business achieved sound development with positive progress in strategic transformation business, the internet distribution business framework was basically established and more focus has been exerted to the big data comprehensive services business. In the first half of 2016, the Group's business scale and earnings achieved a stable growth.

In the first half of 2016, the Group recorded revenue of approximately HK\$9,029.16 million, representing an increase of approximately 5.33% as compared with that in the corresponding period of last financial year. The overall gross profit margin in the first half of this year was approximately 4.22%, representing an increase of approximately 0.17% as compared with that in the corresponding period of last financial year, such increment was mainly due to the optimization of the Group's business structure and product mix to follow the market trend. In spite of the influence of the Renminbi ("RMB") exchange rate fluctuation, but benefited from the increase in sales volume and the gross profit margin as well as the effective expenses control, in the first half of 2016, profit attributable to shareholders amounted to approximately HK\$127.23 million, representing an increase of approximately 42.62% as compared with that in the corresponding period of last financial year. Basic earnings per share amounted to HK4.95 cents, representing an increase of approximately HK1.48 cents as compared with HK3.47 cents in the corresponding period of last financial year.

**IT consumer products distribution business:** in response to the continuous decline in PC market, the Group actively adjusted its product mix to cope with market risks, and controlled the expenses effectively. Owing to these impacts, the revenue of the Group's IT consumer products distribution business decreased by approximately 23.04% to HK\$4,601.38 million for the six months ended 30 June 2016 as compared with the corresponding period of last year, whilst its profit increased by approximately 34.87% to HK\$80.87 million.

**IT corporate products distribution business:** the layout was set up by closely focusing on big data comprehensive services to promote project implementation. The Group continued to deepen the application of the overall industry solution localization and increased the investments in fundamental research and development as well as industry application technology. Due to the influence of the RMB exchange rate fluctuation, the revenue of the Group's IT corporate products distribution business for the six months ended 30 June 2016 decreased by approximately 2.09% to HK\$2,234.57 million as compared with the corresponding period of last year whilst its profit increased by approximately 2.02% to HK\$145.08 million.

**Other business:** the revenue of this business increased by 603.95% to HK\$2,193.21 million as compared with the corresponding period of last year whilst its profit increased by 1,448.09% to HK\$24.66 million as a result of the successful development of new channels for smartphone sales business and the stable cooperation established with customers due to locality of its service business.

To enhance the trading liquidity of the shares of the Company and to promote the Company's corporate image to public investors, the Company submitted an application for the Transfer of Listing to the Stock Exchange on 28 April 2015 and 6 November 2015 respectively. The application lapsed on 6 May 2016 and no re-submission has been made at this stage. For further details, please refer to the announcements of the Company dated 28 April 2015, 6 November 2015 and 6 May 2016. The Company may make re-submission as and when the Board considers appropriate and further updates will be provided by the Company from time to time as and when appropriate.

In 2015, the management of CHOD reported to the Board that a former employee of CHOD had misappropriated certain assets of CHOD and the case was reported to the Hong Kong Police on 14 June 2015 (the "Incident"). The Incident had a material adverse impact on the financial position of the CHOD. An independent committee has been established to investigate the Incident. As at the date of this report, most claims/suits have been settled between the purported suppliers and CHOD and only negotiation with one purported supplier was still continuing but no further action has been taken by that particular supplier. 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. Further updates will be provided by the Company from time to time as and when appropriate.

On 13 April 2016, Mr. Tang Yun tendered his resignation as an executive Director with effect from 13 April 2016 as Mr. Tang Yun would like to devote more time to his other business commitments. For further details, please refer to the announcement of the Company dated on the even date.

## **OUTLOOK**

Despite China's economy was still under downward pressure in 2016, the fundamental of stable economic conditions remained unchanged. The formation of new economic growth momentum represented by new technologies, new industries, new formats and new commercial models is accelerating. The IT industry will witness a new round of structural transformation and upgrading. New technologies and new applications like mobile internet, big data, cloud computing and internet of things will further mature and achieve integrated development. The Group will closely monitor the industry trend to proactively seize any market opportunities in a timely manner, be innovative in business models and facilitate the strategic transformation business in a deepening and rapid manner. At the same time, the Group will innovate and optimize its organization and procedures and constantly improve its operation and service efficiency to accomplish better results.

## **LIQUIDITY AND FINANCIAL RESOURCES**

For the period under review, the Group's financial and liquidity positions remained healthy and stable. As at 30 June 2016, the Group's total interest-bearing borrowings amounted to HK\$510.70 million and its cash and bank balances amounted to HK\$342.42 million. Net current assets of the Group was approximately HK\$1,293.10 million. The management is confident that the Group's financial resources is sufficient for its daily operations.

The Group's monetary assets and liabilities and transactions are principally denominated in Renminbi, Hong Kong dollars and United States dollars. As the spread of the Group's transactions being denominated in Renminbi has enlarged, although the exchange rate between Hong Kong dollars and United States dollars is pegged, the Group considers that its exposure to exchange risk may increase as a result. The Company will continue to monitor the situation and make necessary arrangement as appropriate.

## **EMPLOYMENT AND REMUNERATION POLICY**

As at 30 June 2016, the total number of the Group's staff was 1,118 (30 June 2015: 1,174). The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group provides retirement benefit for its employees in Hong Kong in form of mandatory provident fund, and pays social pension insurance and housing provident fund for its employees in China in accordance with the local laws and regulations.

## **CORPORATE GOVERNANCE**

The Company endeavours to adopt prevailing best corporate governance practices. For the six months ended 30 June 2016, 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 June 2016 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 LISTED 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 June 2016, the interests or short positions of the Directors and chief executive of the Company in the ordinary shares of the Company (the “Shares”), underlying Shares or debentures of the Company or any of 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 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 were as follows:

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of Ordinary shares held</b>	<b>Approximate percentage of interest</b>
Mr. Zhu Jianqiu (“Mr. Zhu”) <i>(Note 1)</i>	Interest 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 June 2016, 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 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.

## INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS IN THE COMPANY

So far as was known to the Directors, as at 30 June 2016, the interests or short position of the persons or companies (not being a Director or chief executive of the Company) whose interests in the Shares or underlying Shares or debentures of the Company which would fall to be disclosed or were notified to the Company and the Stock Exchange pursuant to the positions under Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO or who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

### Long positions in shares

Name of Substantial shareholder	Capacity	Class of shares	Number of shares held	Approximate percentage of interest in relevant class of shares (Note 1)
Sichuan Changhong Electric Co., Limited ("Sichuan Changhong")	Interests 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	Interests 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:*

1. The percentages are calculated based on the total number of Shares and preference shares of the Company in issue as at 30 June 2016, which were 1,454,652,000 and 1,115,868,000, respectively.
2. Of the 1,008,368,000 Shares held by Sichuan Changhong, 95,368,000 Shares were held directly, 16,000,000 Shares were held through its wholly-owned subsidiary, Changhong (Hong Kong) Trading Limited and 897,000,000 Shares were held through Fit Generation Holding Limited, which is wholly-owned by Changhong (Hong Kong) Trading Limited.
3. 1,115,868,000 preference shares were held by Fit Generation Holding Limited, which is wholly owned by Changhong (Hong Kong) Trading Limited, which is a wholly-owned subsidiary of Sichuan Changhong.
4. Of the 913,000,000 Shares, 16,000,000 Shares were held directly and 897,000,000 Shares were held through Fit Generation Holding Limited.
5. Upon completion the acquisition of the entire issued share capital of Wide Miracle Limited on 5 June 2014, Sichuan Investment Management Company Limited ceased to be a connected person of the Company and its shareholding in the Company is counted towards public float.
6. Typical Faith Limited is wholly-owned by Mr. Zhu.

Save as disclosed above, as at 30 June 2016, the Directors were not aware of any other person who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 5% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

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

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

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

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

The Company has adopted a code of conduct regarding securities transactions by Directors (the “Code of Conduct”) as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct for securities transactions. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standards set out in the Code of Conduct throughout the six months ended 30 June 2016.

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

Hong Kong, 28 July 2016

*As at the date of this report, the executive Directors are Mr. Zhao Yong, Mr. Zhu Jianqiu, Mr. Yu Xiao, 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.*