



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

(Incorporated in Bermuda with limited liability)

(Stock Code: 8016)

2013 FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE PERIOD ENDED 31 MARCH 2013

The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) has positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

HIGHLIGHTS

The unaudited consolidated turnover of the Changhong Jiahua Holdings Limited (the “**Company**” together with its subsidiaries, the “**Group**”) for the three months period ended 31 March 2013 was increased approximately by 8.89 times to HK\$4,678.61 million as compared with the same period in 2012, which was attributable to the acquired IT distribution business. The Group recorded a net profit of approximately HK\$60.04 million. The Directors believe that the increase in the profit in first quarterly results of the Company in 2013 was due to the normal fluctuation of the business operations of the Group considering the contribution from the existing trading business and the acquired IT distribution business of the Group.

RESULTS

The board of directors (the “**Board**”) of the Company is pleased to announce the unaudited consolidated results of the Company for the three month period ended 31 March 2013, together with the comparative figures for the corresponding period of last year, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2013

	<i>Notes</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Turnover	2	4,678,613	526,340
Cost of sales		<u>4,491,960</u>	<u>(518,666)</u>
Gross profit		186,653	7,674
Other income		4,831	73
Distribution and selling expenses		66,065	(1,926)
Administrative expenses		29,850	(5,468)
Profit from operation		95,569	353
Finance costs		<u>16,482</u>	<u>(847)</u>
Profit/(Loss) before taxation		79,087	(494)
Income tax expense	3	<u>19,050</u>	<u>–</u>
Profit/(Loss) and total comprehensive income for the period attributed to owners of the Company		<u>60,037</u>	<u>(494)</u>
Earnings/(Loss) per share	4		
Basic		<u>3.20 cents</u>	<u>(0.15) cents</u>
Diluted		<u>3.20 cents</u>	<u>(0.15) cents</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”), and accounting principles general accepted in Hong Kong. In addition, these financial statements include applicable disclosures required by the GEM Listing Rules and the Hong Kong Companies Ordinance.

2. TURNOVER

Turnover represents the invoiced value of goods sold, net of discounts and sales related taxes.

3. INCOME TAX EXPENSE

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

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong for the period ended 31 March 2013.

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

4. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net profit/(loss) attributable to shareholders for the period of HK\$60.04 million (2012 loss: HK\$494,000), and the weighted average number of 1,877,868,000 (2012: 334,000,000) ordinary shares and convertible preference Shares in issue during the period. Up to the date of this announcement, there were 1,877,868,000 convertible preference shares which can be converted subject to the requirement of the public float.

As there was no diluted potential shares during the period ended 31 March 2013 and 2012, the diluted earnings/(loss) per share was the same as basic earnings/(loss) per share.

5. RESERVES

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

DIVIDENDS

The directors do not recommend the payment of any dividend for the period ended 31 March 2013 (2012: Nil).

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's results for the period ended 31 March 2013 and has provided advice and comments thereon.

BUSINESS REVIEW

During the period under review, the Group engaged in trading business in the consumer electronics industry (the "Trading Business") and the business in the distribution of IT consumer and corporate products. A fair operating results for the three months ended 31 March 2013 has achieved, the Group has accomplished a revenue of approximately HK\$4,678.61 million and a net profit of approximately HK\$60.04 million.

The acquisition (the "CH Jiahua Acquisition") from the controlling shareholder, Sichuan Changhong Electric Co., Limited ("Sichuan Changhong") was approved in a special general meeting on 8 January 2013 and was completed on 22 January 2013, details of which were set out in the announcement of the Company dated 23 April 2012 and the circular of the Company dated 12 December 2012 (the "Circular"). Pursuant to the CH Jiahua Acquisition, the business in the distribution of IT consumer and corporate products has been added to the Group's business lines.

OUTLOOK

As the Company has established stable clientele bases of suppliers and customers, and the financial position of the Group are continuously improving. Given the fact that Company has acquired the distribution business, the Company is confident that the Trading Business in the consumer electronics industry and the IT distribution business will build up a steady and considerable income stream for the Group. The management will put more efforts to explore further business opportunities in related industries and will look for suitable investment opportunities in a prudent manner to broaden the Group's business. The Board believes that the business of the Group will continue to improve in the near future. The Group's commitment is to create value for shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

INTERESTS OF THE DIRECTORS IN THE COMPANY

As at 31 March 2013, the interests and short positions of the Directors and the chief executive of the Company in the ordinary shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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) pursuant to the minimum standards of dealing by directors of listed issuers as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in Shares

Name of Director	Capacity	Number of ordinary shares held	Approximate percentage of interest %
Mr. Ji Long Fen, David (“Mr. Ji”) (<i>Note 1</i>)	Beneficial owner	22,260,000	4.75

Notes:

- 1 Ms. Liu Ru Ying is the spouse of Mr. Ji and, under Section 316 of the SFO, is therefore deemed to be interested in all 22,260,000 shares in which Mr. Ji is interested.

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 during the period under review.

INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS IN THE COMPANY

As at 31 March 2013, so far the Directors are aware, 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 of the Company 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 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 (Notes) %
Sichuan Changhong	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 Holding Limited	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

Notes:

- The percentages are calculated based on the total number of ordinary shares and preference shares of the Company in issue as at 31 March 2013, which were 469,000,000 and 1,877,868,000, respectively.
- Of the 246,368,000 ordinary shares held by Sichuan Changhong, 95,368,000 ordinary shares are held directly, 16,000,000 ordinary shares are held through its wholly-owned subsidiary, Changhong (Hong Kong) Trading Limited and 135,000,000 ordinary shares are held through Fit Generation Holding Limited, which is wholly owned by Changhong (Hong Kong) Trading Limited.
- 1,877,868,000 preference shares are 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.
- Of the 151,000,000 ordinary shares, 16,000,000 ordinary shares are held directly and 135,000,000 ordinary shares are held through Fit Generation Holding Limited.

DIRECTOR'S INTEREST IN A COMPETING BUSINESS

Mr. Ji is a shareholder of Apex Digital Inc, a Company incorporated in the United States which is principally engaged in the wholesaling business of consumer home electronics items under the name of "APEX Digital".

Sichuan Changhong is a substantial shareholder of the Company which incorporated in the PRC and is listed in Shanghai Stock Exchange. Changhong is principally engaged in the wholesaling 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.

CORPORATE GOVERNANCE RELATING TO THE DEED OF NON-COMPETITION

Pursuant to the CH Jiahua Acquisition, a deed of non-competition was entered into between Sichuan Changhong, Sichuan Changhong Electronics Group Co., Limited and Fit Generation Holding Limited, 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., Limited with effect from completion of the CH Jiahua Acquisition (Please refer to the section headed "Relationship with the Controlling Shareholders – Non-compete Undertakings" of the Circular for further details about the deed of non-competition).

STANDARD OF DEALINGS AND MODEL CODE OF PRACTICE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted a model code of practice with standards not lower than those required for securities transactions by directors. The Company has confirmed after making due enquiries with the Directors in accordance with the code of practice, that all the Directors have complied with the standard of dealings and model code of practice in relation to securities transaction by directors.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

To the best knowledge of the Board, the Company had complied with the Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules.

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

Hong Kong, 18 April 2013

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

This announcement 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>.