



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

(Incorporated in Bermuda with limited liability)

(Stock Code: 8016)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 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.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

UNAUDITED INTERIM RESULTS

The board of directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the three months and six months ended 30 June 2013 together with the unaudited comparative figures for the respective corresponding period in 2012 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

	<i>Notes</i>	For three months ended 30 June		For six months ended 30 June	
		2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i> (Restated)	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i> (Restated)
Turnover		4,611,456	4,002,257	9,290,069	8,687,626
Cost of sales		(4,445,232)	(3,815,530)	(8,937,192)	(8,328,188)
Gross profit		166,224	186,727	352,877	359,438
Other income		3,927	1,403	8,758	2,037
Administrative expenses		(37,789)	(13,911)	(67,639)	(41,686)
Distribution and selling expenses		(60,464)	(57,272)	(126,529)	(113,950)
Profit from operation	3	71,898	116,947	167,467	205,839
Finance cost		(28,012)	(19,567)	(44,494)	(32,131)
Profit before taxation		43,886	97,380	122,973	173,708
Income tax expense	4	(7,622)	(24,801)	(26,672)	(44,007)
Profit and total comprehensive income for the period		<u>36,264</u>	<u>72,579</u>	<u>96,301</u>	<u>129,701</u>
Total comprehensive income for the period attributable to:					
Owners of the Company		32,638	65,321	86,671	116,731
Non-controlling interests		3,626	7,258	9,630	12,970
		<u>36,264</u>	<u>72,579</u>	<u>96,301</u>	<u>129,701</u>
Earnings per share Basic and diluted (HK cents)	5	<u>1.54</u>	<u>3.09</u>	<u>4.13</u>	<u>5.52</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Unaudited) (Restated)
NON-CURRENT ASSETS			
Plant and equipments		<u>28,872</u>	<u>30,285</u>
CURRENT ASSETS			
Trade and bills receivables	6	2,171,965	1,872,752
Inventories		1,419,737	1,544,734
Trade deposits		371,409	4,416
Prepayments, deposits and other receivables		53,213	605,426
Amount due from related companies		–	69
Property held for sale		–	415
Tax recoverable		43,313	152
Cash and bank balances		<u>407,196</u>	<u>463,714</u>
		4,466,833	4,491,678
CURRENT LIABILITIES			
Trade and bills payables	7	1,718,009	2,027,766
Tax payable		9,089	24,455
Other payables and accruals		385,551	160,930
Customer deposit		160,956	331,718
Amount due to a director		5	5
Amount due to ultimate holding company		–	101,810
Bank and other borrowings		1,237,917	899,907
Bank overdraft		<u>–</u>	<u>87,439</u>
		3,511,527	3,634,030
NET CURRENT ASSETS		<u>955,306</u>	<u>857,648</u>
TOTAL ASSET LESS CURRENT LIABILITIES		984,178	887,933
NON-CURRENT LIABILITIES			
Deferred income		<u>15,516</u>	<u>22,435</u>
TOTAL EQUITY		<u>968,662</u>	<u>865,498</u>
CAPITAL AND RESERVES			
Share capital		58,672	58,672
Reserves		822,639	728,601
Non-controlling interests		<u>87,351</u>	<u>78,225</u>
		<u>968,662</u>	<u>865,498</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

	For the six months ended 30 June	
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i> (Restated)
Total equity at 1 January	872,361	639,061
Increase in share capital	–	50,322
Decrease in share premium and reserve	–	(10,661)
Net profit for the period attributable to shareholders	86,671	116,731
Non-controlling interests	9,630	12,970
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Total equity at 30 June	<u>968,662</u>	<u>808,423</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW – UNAUDITED

	For the six months ended 30 June	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	<u>(292,871)</u>	<u>(574,241)</u>
NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES	<u>(7,300)</u>	<u>175,138</u>
NET CASH INFLOW FROM FINANCING ACTIVITIES	<u>331,091</u>	<u>706,764</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	30,920	307,661
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<u>376,275</u>	<u>124,439</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE Represented by bank balances and cash	<u>407,195</u>	<u>432,100</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

(a) The unaudited consolidated condensed interim accounts (the Interim Accounts) are prepared in accordance with Hong Kong Accounting Standard (HKAS) 34 Interim Financial Reporting and the requirements of the Rules governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the Listing Rules).

(b) Adoption of merger accounting

The effect of adopting merger accounting for common control combination of business was effected during the current period. The unaudited consolidated condensed financial information incorporated the financial information of the combining entities as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquirer's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The unaudited consolidated condensed income statement includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the unaudited consolidated condensed financial information are represented as if the entities had been combined at the end of the previous Reporting period or when they first came under the common control, whichever is shorter. The impact on the consolidated reserves of the Group arising from the common control combination is disclosed in this unaudited consolidated condensed financial information.

2. SEGMENT INFORMATION

The Group is currently organised into a single segment as trading of consumer electronic products and related parts and components, and all revenue, expense, results, assets and liabilities and capital expenditures are predominantly attributable to this single operating segment. Accordingly, no segment analysis by business is presented.

(a) Geographical segments

The following is an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i> (Restated)
Hong Kong	192,415	100,217
Mainland China	8,401,773	8,125,986
Asia (including Middle East)	182,904	110,166
Europe	254,102	218,283
Australia	18,901	15,018
South America	190,293	73,177
Africa	49,681	44,779
	9,290,069	8,687,626

3. PROFIT FROM OPERATION

The Group's profit from operation is arrived at after charging/(crediting):

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i> (Restated)
Cost of inventories sold	8,937,192	8,328,188
Depreciation	1,961	2,373
Staff cost including directors' emolument		
– Salary and related staff cost	94,312	73,728
– Retirement benefits scheme contribution	369	72
Exchange (gain)/loss, net	(6,930)	1,800

4. INCOME TAX EXPENSE

Taxes of other jurisdiction 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% (2012: 16.5%) of the estimated assessable profit for the period ended 30 June 2013 (2012: Nil).

Profits of the subsidiaries established in the PRC are subject to PRC income tax. Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

5. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months and six months ended 30 June 2013 were based on the total comprehensive income for the period attributable to owners of the Company of HK\$32,638,000 (2012: HK\$65,321,000) for the three months ended 30 June 2013 and the total comprehensive income for the period attributable to owners of the Company of HK\$86,671,000 (2012: HK\$116,701,000) for the six months ended 30 June 2013 and on 469,000,000 (2012: 469,000,000) ordinary shares and 1,877,868,000 (2012: 1,877,868,000) preference shares in issue during the three months and six months ended 30 June 2013. The convertible preference shares can be converted subject to the requirement of the public float.

As there was no diluted potential shares during the three months and six months ended 30 June 2013 and 2012, the diluted earnings per share was same as basic earnings per share.

6. 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 30-120 days. Overdue balances are reviewed regularly by senior management. An aged analysis of the trade receivables as at the balance sheet date, based on invoice date, is as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i> (Restated)
Within 3 months	1,734,147	822,051
4 to 6 months	253,392	180,675
7 to 12 months	169,147	102,435
Over 1 year	15,279	14,855
	<u>2,171,965</u>	<u>1,120,016</u>

7. TRADE AND BILLS PAYABLES

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i> (Restated)
Within 3 months	1,033,934	1,014,027
4 to 6 months	157,648	31,624
7 to 12 months	301,921	27,345
Over 1 year	224,506	50,708
	<u>1,718,009</u>	<u>1,123,704</u>

DIVIDENDS

The directors do not recommend the payment of any dividend for the period ended 30 June 2013 (2012: Nil).

BUSINESS REVIEW

The completion of the Company's acquisition the distribution of IT consumer and corporate products business in January 2013 (the "Changhong Jiahua Acquisition"), the core business of the Group has shifted to IT distribution business, which substantially improved the Group's operating results. Under the guidance of management with principles of "enhancing internal strength, growing with flexibility and boosting effectiveness", the Group was active in exploring market opportunities, improved business models to increase the overall value of its businesses despite of the slow growing macro global economy and suppressed demand in the market in 2013. Consequently, the Group recorded well-performed operating results in the first six months with revenue of approximately HK\$9,290.07 million and profit of HK\$96.30 million.

OUTLOOK

Technology sectors based on third platform such as cloud computing, colossal data storage, mobile services and social network etc. will further penetrate into each industry, driving the growth in the markets of related hardware, software and services. To seize the opportunities brought about by the industrial transformation, the Group will proactively expand its IT service business and continue its efforts in building cloud computing service platform, establishing service network and improving its technical team, to facilitate the strategic transition into the service business effectively and further increase its business value. The Board believes that each business of the Group will improve continuously under the established operating guiding principles.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial and liquidity positions are healthy and stable. As at 30 June 2013, the Group's total bank and other interest-bearing borrowings amounted to HK\$1,177.01 million and its cash and bank balances amounted to HK\$407.20 million. Net current assets of the Group was approximately HK\$955.31 million. The management is confident that the Group's financial resources is sufficient for the daily operation.

The Group's monetary assets and liabilities and transactions are principally denominated in Hong Kong dollars and United States dollars. As the exchange rate between Hong Kong dollars and United States dollars is pegged, the Group believes its exposure to exchange risk to be minimal.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2013, the total number of the Group's staff was 1,281. 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

Save from the code provision set out in the Code on Corporate Governance Practices (the "CCGP") as contained in Appendix 15 to the GEM Listing Rules, the Company had, during the period under review, complied with the CCGP. An explanation for any deviation is adhered.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the Group's results for the period ended 30 June 2013 and has provided advice and comments thereon.

REMUNERATION COMMITTEE

The primary responsibilities of the Committee are to review and make recommendation for the remuneration policy of the director and senior management. The members are Mr. Chan Ming Sun, Jonathan (chairman), Mr. Ip Chun Chung, Robert, Mr. Sun Dongfeng and Mr. Zhu Jianqiu. Mr. Zhu Jianqiu and Mr. Yu Xiao was appointed and resigned as a member of the remuneration committee on 15 April 2013 respectively.

NOMINATION COMMITTEE

The primary responsibilities of the Committee are to formulate nomination policy and make recommendation to the Board on nomination and appointment of directors and board succession. The members are Mr. Zhao Yong (chairman), Mr. Ip Chun Chung, Robert, Mr. Sun Dongfeng and Mr. Chan Ming Sun, Jonathan. Mr. Zhao Yong and Mr. Yu Xiao was appointed and resigned as the chairman of the nomination committee on 15 April 2013 respectively.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

INTERESTS OF THE DIRECTORS IN THE COMPANY

As at 30 June 2013, none of the Directors had any interest 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 (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.

During the period ended 30 June 2013, our former Directors, Mr. Ji Long Fen, David held long positions in the Shares as follows:

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

Notes:

- (a) 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 was interested.
- (b) Mr. Ji resigned his directorship on 21 May 2013.

Long positions in shares of associated company

Mr. Zhu Jianqiu (“Mr. Zhu”), an executive director of the Company, held 10% interest in Changhong IT Information Products Co., Ltd (“Changhong IT”), a subsidiary of the Company on behalf of Changhong IT’s management team (out of which, Mr. Zhu had personal interests in 3.68% interests in Changhong IT). (*Note*)

Note:

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

Save as disclosed in this paragraph, as at 30 June 2013, none of the Directors 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period 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

As at 30 June 2013, 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 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 Electric Co., Limited ("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:

1. The percentages are calculated based on the total number of ordinary shares and preference shares of the Company in issue as at 30 June 2013, 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 Holding Limited, which is wholly owned by Changhong (Hong Kong) Trading Limited.
3. 1,877,868,000 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 151,000,000 ordinary shares, 16,000,000 ordinary shares were held directly and 135,000,000 ordinary shares were held through Fit Generation Holding Limited.

Save as disclosed in this paragraph, as at 30 June 2013, 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

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". Mr. Ji resigned his directorship on 21 May 2013.

Sichuan Changhong is a substantial shareholder of the Company which incorporated 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".

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 Changhong 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 Changhong Jiahua Acquisition (Please refer to the section headed "Relationship with the Controlling Shareholders – Non-compete Undertakings" of the circular of the Company dated 12 December 2012 for further details about the deed of non-competition).

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

The Company has adopted a code of conduct with standards not lower than those required for securities transactions by directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has confirmed after making due enquiries with the Directors in accordance with the code of conduct, that all the Directors have complied with the standard of dealings and model code of conduct in relation to securities transaction by directors.

By Order of the Board

Zhao Yong

Chairman

Hong Kong, 13 August 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 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.