



长虹佳华
CHANGHONGIT

CHANGHONG JIAHUA HOLDINGS LIMITED

(Formerly known as China Data Broadcasting Holdings Limited 中華數據廣播控股有限公司)

(Incorporated in Bermuda with limited liability)

Stock Code : 8016

THIRD QUARTERLY REPORT 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 report, 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 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.

HIGHLIGHTS

The Group's consolidated turnover for the nine months period ended 30 September 2013 was slightly increased approximately by 4.29% to HK\$14,007.00 million comparing with that for the same period in 2012. The Group achieved net profit of approximately HK\$143.29 million which was decreased by approximately 24.16% comparing with that for the same period in 2012. This was due to the fierce competition in 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 Company and its subsidiaries (collectively the "Group") for the three months period and nine months period ended 30 September 2013, together with the comparative figures for the corresponding period of last year, as follows:

	Notes	For three months ended 30 September		For nine months ended 30 September	
		2013 HK\$'000	2012 HK\$'000 (Restated)	2013 HK\$'000	2012 HK\$'000 (Restated)
Turnover	2	4,716,926	4,742,832	14,006,995	13,430,458
Cost of sales		(4,530,732)	(4,556,469)	(13,467,924)	(12,884,657)
Gross profit		186,194	186,363	539,071	545,801
Other income		8,316	4,973	17,074	7,010
Administrative expenses		(33,716)	(27,032)	(101,355)	(68,718)
Distribution and selling expenses		(70,024)	(65,814)	(196,553)	(179,764)
Profit from operation		90,770	98,490	258,237	304,329
Finance cost		(28,366)	(18,811)	(72,860)	(50,942)
Profit before taxation		62,404	79,679	185,377	253,387
Income tax expense	3	(15,411)	(20,431)	(42,083)	(64,438)
Profit and total comprehensive income for the period		46,993	59,248	143,294	188,949

	For three months ended 30 September		For nine months ended 30 September	
	2013	2012	2013	2012
Notes	HK\$'000	HK\$'000 (Restated)	HK\$'000	HK\$'000 (Restated)
Total comprehensive income for the period attributed to:				
Owners of the Company	42,272	53,119	129,447	169,618
Non-controlling interest	4,721	6,129	13,847	19,331
	<u>46,993</u>	<u>59,248</u>	<u>143,294</u>	<u>188,949</u>
Earnings per share Basic and diluted (HK cents)	4 1.93	2.42	5.91	7.74

Notes:

1. BASIS OF PREPARATION

(a) The unaudited quarterly financial statements are 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 generally accepted in Hong Kong. In addition, these financial statements include applicable disclosures required by the GEM Listing Rules and the Hong Kong Companies Ordinance.

(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. TURNOVER

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

3. 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 September 2013 (2012: Nil).

Profits of the subsidiaries established in the People's Republic of China ("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.

4. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months and nine months ended 30 September 2013 were based on the total comprehensive income for the period attributable to owners of the Company of HK\$42,272,000 (2012: HK\$53,119,000) for the three months ended 30 September 2013 and the total comprehensive income for the period attributable to owners of the Company of HK\$129,447,000 (2012: HK\$169,618,000) for the nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2013 and 2012, the diluted earnings per share was same as basic earnings per share.

5. RESERVES

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

6. LITIGATION

A writ of summons dated 29 July 2013 was served to Apex Digital, LLC (subsidiary of the Company) and others (collectively known as the "Defendants") from the Superior Court of California, County of Los Angeles. The Defendants were claimed damages for wrongful death based on strict product liabilities in the United States of America ("USA"). The amount of damages was not determined. The Company has engaged a USA law firm to handle this matter.

DIVIDENDS

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

BUSINESS REVIEW

Upon the completion of the Company's acquisition in the IT consumer and corporate products distribution business in January 2013, we have placed the IT distribution business in the core of the Group's business, which enabled the Group to achieve stable year-on-year growth in operating results. Under the operating guiding principles of "enhancing internal strength, growing with flexibility and boosting effectiveness", the Group constantly explored market opportunities, optimised product structure and improved business models. Consequently, despite the complicated and grave domestic and international economy environment and the slow moving market demand in 2013, the Group securely maintained its market shares during the previous three quarters, and achieved stable growth in its revenue, generated the revenue of approximately HK\$14,007.00 million and profit of HK\$143.29 million for the period ended 30 September 2013.

OUTLOOK

Challenged by the adverse operating environment, the Group will continue to undergo the strategic transition of its services. Specifically, by grasping the opportunities arising in emerging industries, such as cloud computing, mobile internet and internet of things, the Group will continue to proactively expand its IT service business, build cloud computing service platform, establish service network and improve its technical teams, striving to optimise its business and revenue structure. The Board believes that each business of the Group will maintain the sound momentum under its established operating guiding principles.

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 September 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.

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.

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 September 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 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 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 September 2013, our former Director, Mr. Ji was interested in the Shares as follows:

Name of Director	Capacity	Number of Ordinary shares held	Approximate percentage of interest %
Mr. Ji (Note (a) and (b))	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 September 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 September 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 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) %
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 September 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 September 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, 18 October 2013

As at the date of this report, 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.