长虹佳华
CHANGHONG IT

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 8016)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2019

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Main Board of 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.

Given that the companies listed on GEM are generally small and mid-sized companies, 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.

This announcement, for which the directors (the "Directors") of Changhong Jiahua Holdings Limited (the "Company", and collectively with its subsidiaries, the "Group") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on 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 or deceptive; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

The Group's unaudited consolidated revenue for the nine months ended 30 September 2019 increased by approximately 23.03% to HK$19,678.16 million comparing with that for the same period in 2018. The Group achieved net profit of approximately HK$231.26 million for the nine months ended 30 September 2019, representing an increase of approximately 8.32% comparing with that for the same period in 2018.

RESULTS

The board of directors (the "Board") of the Company is pleased to announce the unaudited results of the Group for the three months and nine months ended 30 September 2019, together with the comparative figures for the corresponding periods of 2018, as follows:–

Condensed Consolidated Statement of Comprehensive Income
For the three months and nine months ended 30 September 2019

		For the three months ended 30 September		**For the nine months ended 30 September**	
		2019	2018	**2019**	2018
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Revenue	*2*	**6,656,711**	5,728,158	**19,678,155**	15,994,807
Cost of sales		**(6,404,744)**	(5,517,758)	**(18,982,685)**	(15,381,301)
Gross profit		**251,967**	210,400	**695,470**	613,506
Other income		**6,753**	17,101	**35,620**	27,290
Research and development expenses		**(1,181)**	(12,497)	**(5,319)**	(23,713)
Administrative expenses		**(50,757)**	(25,834)	**(116,103)**	(81,095)
Impairment loss on trade receivables,net		**185**	155	**(5,269)**	(4,423)
Exchange (loss) gain,net		**(9,139)**	(8,401)	**(9,037)**	(8,498)
Distribution and selling expenses		**(84,006)**	(67,129)	**(219,598)**	(194,437)
Finance cost		**(16,506)**	(13,399)	**(64,330)**	(35,898)
Profit from operation		**97,316**	100,396	**311,434**	292,732
Income tax expense	*4*	**(29,113)**	(23,053)	**(80,176)**	(79,241)
Profit for the period		**68,203**	77,343	**231,258**	213,491
Profit for the period attributed to owners of the Company		**68,203**	77,343	**231,258**	213,491
Other comprehensive (expense) income					
Item that will not be reclassified to profit or loss					
Exchange differences arising from translation of consolidated financial statements to presentation		**(53,562)**	(82,413)	**(60,985)**	(101,684)
Total comprehensive income for the period attributable to owners of the Company		**14,641**	(5,070)	**170,273**	111,807
Earnings per share					
Basic and diluted *(HK cents)*	*5*	**2.66**	3.01	**9.00**	8.31

NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME:

For the nine months ended 30 September 2019

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standards 34 ("HKAS 34") Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, these financial statements include applicable disclosures required by the Chapter 18 of GEM Listing Rules and by the Hong Kong Companies Ordinance.

The unaudited condensed consolidated results for the nine months ended 30 September 2019 have not been reviewed or audited by the external auditors of the Company but have been reviewed by the audit committee of the Company.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018 (the "2018 Consolidated Financial Statements"), except for the amendments and interpretations of HKFRSs (the "New HKFRSs") issued by HKICPA which have become effective in this period as detailed in the notes of the 2018 Consolidated Financial Statements.

1.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

1.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;

- any lease payments made at or before the commencement date, less any lease incentives received;

- any initial direct costs incurred by the Group; and

- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment; and
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

1.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(“IFRIC”)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and

iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group’s leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of HK$9,778,164 and right-of-use assets of HK$9,778,164 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee’s incremental borrowing rate applied is 4.75%.

The Group has not early adopted any other standard, amendment or interpretation that has been issued but is not yet effective.

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, own brand products and related parts and components.

Revenue represents net amount received and receivable for the sales of different types of IT products, self developed products, provision of professional integrated IT solutions and services net of corresponding sales related taxes and rebate. The amounts of each significant category of revenue recognised in revenue for the nine months ended 30 September 2019 and 2018 are as follows:

	For the nine months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
IT Consumer Products	**8,918,097**	8,382,021
IT Corporate Products	**5,797,000**	5,031,910
Others	**4,963,058**	2,580,876
	19,678,155	15,994,807

3. SEGMENT INFORMATION

Information reported to the executive Directors or management of the Company, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

The Group's reportable and operating segments under HKFRS 8 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, PC 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. The own brand products include but not limited to intelligent terminal products and services, 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, finance costs as well as unallocated head office and corporate expenses. The measure reported to the CODM 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 nine months ended 30 September 2019 and 2018:

	For the nine months ended 30 September 2019			
	IT Consumer Products	**IT Corporate Products**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Revenue				
External sales	**8,918,097**	**5,797,000**	**4,963,058**	**19,678,155**
Segment profit	**198,583**	**244,944**	**27,076**	**470,603**
Other income				**35,620**
Finance costs				**(64,330)**
Research and development expenses				**(5,319)**
Administrative expenses				**(116,103)**
Exchange gain, net				**(9,037)**
Profit before tax				**311,434**

	For the nine months ended 30 September 2018			
	IT Consumer Products	IT Corporate Products	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue				
External sales	8,382,021	5,031,910	2,580,876	15,994,807
Segment profit	179,728	224,856	10,062	414,646
Other income				27,290
Finance costs				(35,898)
Research and development expenses				(23,713)
Administrative expenses				(81,095)
Exchange gain, net				(8,498)
Profit before tax				292,732

Geographical information

The following provides an analysis of the Group's sales by geographical market for the nine months ended 30 September 2019 and 2018, based on the origin of the goods:

	For the nine months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Mainland China	**19,581,367**	15,884,396
Other regions	**96,788**	110,411
	19,678,155	15,994,807

4. INCOME TAX EXPENSE

Pursuant to the rules and regulations of the Bermuda, the Company is not subject to any income tax in the Bermuda.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rates of Changhong IT Information Products Co., Ltd. ("CHIT"), Changhong IT Digital Technology Co., Ltd. ("Changhong IT Digital"), Sichuan Changhong IT Duolayouhuo E-commerce Co., Ltd, and Sichuan Changhong Cloud Computing Company Limited are 25% for the period.

Beijing Changhong IT Intelligence System Co., Ltd, a wholly-owned subsidiary of the Company operating in the PRC, has been accredited as a "High and New Technology Enterprise" by the Ministry of Science and Technology of the PRC, and have been registered with the local tax authorities for enjoying the reduced 15% EIT rate. Accordingly, the profits derived by the subsidiary are subject to 15% EIT rate for the nine months ended 30 September 2019. The qualification as a High and New Technology Enterprise will be subject to annual review by the relevant tax authorities in the PRC.

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

5. EARNINGS PER SHARE

The calculation of 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 September		For the nine months ended 30 September	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Earnings				
Profit for the period attributable to owners of the Company	**68,203**	77,343	**231,258**	213,491

	2019	2018	**2019**	2018
	'000	*'000*	***'000***	*'000*
Number of Share				
Weighted average number of ordinary shares and convertible preference shares for the purpose of basic and diluted earnings per share	**2,570,520**	2,570,520	**2,570,520**	2,570,520

As there were no potentially dilutive shares during the three months and the nine months ended 30 September 2019 and 2018, the diluted earnings per share was same as basic earnings per share.

6. RESERVES

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

DIVIDEND

The Directors do not recommend the payment of any dividend for the nine months ended 30 September 2019 (2018: Nil).

The payment of a final dividend of HK$0.03 per ordinary share and preference share for the year ended 31 December 2018, totalling approximately HK$77.1 million, had been resolved at the annual general meeting of the Company held on 17 May 2019. The date of payment was on 12 June 2019.

BUSINESS REVIEW

In 2019, under the backdrop of the global economic downturn, obvious domestic structural contradictions and escalating China-US trade frictions, the downward momentum of the economy has been strengthened. Nevertheless, the overall key indicators remained stable, and the economy running within its reasonable range. In the first three quarters of the year, under its business policy of "Professional Exploration and Growth of Value", the Group actively developed and explored several areas such as 5G, big data digging, cloud computing, artificial intelligence, and the internet of things. Upon completion of the setting up of a VIE (variable interest entity) structure, Jiahua Duola, a B2B new distribution e-commerce platform, has been officially launched in September 2019, and dedicated to establish a new ecosystem for channel.

In the first three quarters of 2019, the Group recorded a revenue of approximately HK$19,678.16 million, representing an increase of 23.03% as compared with that in the corresponding period of last financial year. Overall gross profit margin stood at 3.53% in the first three quarters of the year, which represented a decline of approximately 0.31% from that in the corresponding period of last financial year, mainly due to the greater sales contribution from product lines with lower gross profit margin. Profit attributable to shareholders was approximately HK$231.26 million in the first three quarters of 2019, representing an increase of 8.32% as compared with that in the corresponding period of last financial year. Basic earnings per share amounted to HK9.00 cents, representing an increase of HK0.69 cents as compared with HK8.31 cents in the corresponding period of last financial year.

The Group carried on strengthening its information technology development as well as transforming and optimising the business process so as to improve its operational and management efficiency. In addition, the Group adhered to strict credit management and accounts receivable management. Over the first three quarters of the year, the Group recorded a slight slowdown in both payment collection and turnover of accounts receivable compared with the corresponding period of last financial year, as a result of the expansion of the e-commerce sales business and the growth of IT corporate products sales with long accounts receivable periods. In the first three quarters of the year, the Group conducted strict cost control. The distribution and sales expenses were basically the same as those of the corresponding period of last year; the administrative expenses increased as compared with the corresponding period of last year due to the increase in labor costs and relevant professional advisors fees newly incurred from the application of transfer of listing; the research and development expenses decreased due to less research and development projects; and the finance costs increased as compared with the corresponding period of last year due to larger financing scale.

Below sets out an analysis of turnover and profit of the three operating segments of the Company for the nine months ended 30 September 2019 (the fluctuation of exchange rate of Renminbi might affect the amount/percentage of the segment):

IT consumer products distribution business: PC distribution business maintained stable sales scale and turnover efficiency with better income achieved. It also strongly boosted the expansion of consumer intelligent terminal products with remarkable sales growth recorded. Such business segment recorded turnover of HK$8,918.10 million, increasing by 6.40% as compared with the corresponding period of last year, and its profit achieved a year-on-year growth of 10.49% to HK$198.58 million.

IT corporate products distribution business: Such business segment has actively introduced and promoted new domestic and foreign product lines, strengthened cooperation with manufacturers in solutions, software and value-added services, and continuously improved service capabilities in respect of big data digging, cloud services, industry solutions, etc.. As a result, its turnover increased by 15.20% as compared with the corresponding period of previous year to HK$5,797.00 million, and its profit increased by 8.93% to HK$244.94 million.

Other business: Due to a major increase in smartphone sales, revenue from this business segment surged by 92.30% to HK$4,963.06 million as compared with the corresponding period of last year, while profit of the segment grew by 169.09% to HK$27.08 million.

Mr. Li Jin has tendered his resignation as executive Director with effect from 15 January 2019 in order to devote more time to his other business commitment. Mr. Li Jin also ceased to be the alternate director of Mr. Zhao Yong, the chairman of the Board and an executive Director, with effect from 15 January 2019. For further details, please refer to the announcement of the Company dated 15 January 2019.

With effect from the conclusion of the annual general meeting of the Company held on 17 May 2019, each of Mr. Robert Ip Chun Chung and Mr. Sun Dongfeng has retired as an independent non-executive Director and ceased to be a member of each of the audit committee of the Company (the "Audit Committee"), the nomination committee of the Company (the "Nomination Committee") and the remuneration committee of the Company (the "Remuneration Committee") and Mr. Cheng Yuk Kin has retired as independent non-executive Director and ceased to be a member of the Audit Committee. With effect from 17 May 2019, Mr. Gao Xudong has been appointed as an independent non-executive Director and a member of each of the Audit Committee and Nomination Committee, and Mr. Meng Qingbin has been appointed as an independent non-executive Director and a member of each of the Audit Committee and Remuneration Committee. For further details, please refer to the announcement of the Company dated 17 May 2019.

To expand the Group's e-commerce business, on 12 April 2019, Sichuan Changhong Jiahua Digital Technology Co., Ltd.*（四川長虹佳華數字技術有限公司, the "WFOE"), Sichuan Changhong Cloud Computing Company Limited*（四川長虹雲計算有限公司, the "OPCO"), and Sichuan Changhong Electronics Holding Group Co., Ltd.（四川長虹電子控股集團有限公司）entered into the VIE Agreements. Through the VIE Agreements, the WFOE will have effective control over the finance and operation of the OPCO and will enjoy the entire economic interests and benefits generated by the OPCO. The Group intends for the OPCO to establish a new business-to-business e-commerce platform, which will connect third-party merchants with each other. The VIE Agreements had been approved by the shareholders at the special general meeting of the Company held on 17 May 2019. For further details, please refer to the announcements of the Company dated 12 April 2019 and 17 May 2019, and the circular of the Company dated 30 April 2019.

To enhance the trading liquidity of the shares of the Company and to promote the Company's corporate image to public investors, the Company made an application to the Stock Exchange on 27 September 2019 for the transfer of listing in respect of the Company from the GEM to the Main Board of the Stock Exchange. For further details, please refer to the announcements of the Company dated 27 September 2019. Further updates will be provided by the Company from time to time as and when appropriate.

OUTLOOK

Looking forward, external environment remains complicated and volatile. However, since positive factors that contribute to Chinese economy's smooth and stable running are increasing with the resumption of Sino-US trade negotiations and the introduction and effect of policies that seek stabilities in six major areas, it is expected that Chinese economy will stabilize in the fourth quarter. The Group will continue to promote strategic upgrades for developing into an ICT comprehensive service provider, adhere to the operation strategy of "All Channels, Specialization, New Distribution, and Good Partners" and the operational policy of "Professional Exploration and Growth of Value". Meanwhile, the Group will follow cutting-edge ICT technology to proactively expand its product portfolios at home and abroad, vigorously promote innovation and accumulation of technological, industrial and professional solutions, continuously improve the professional service capabilities, help its clients undergo digital transformation and make greater contributions to shareholders.

COMPLIANCE WITH THE 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 throughout the nine months ended 30 September 2019.

AUDIT COMMITTEE

Pursuant to Rule 5.28 of the GEM Listing Rules, the Company has established the Audit Committee with written terms of reference aligned with the provision of the code provisions set out in Appendix 15 of the GEM Listing Rules.

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 of the committee), Mr. Gao Xudong and Mr. Meng Qingbin.

The financial information in this announcement has not been reviewed or audited by the external auditor of the Company but the Audit Committee has reviewed the Group's results for the nine months ended 30 September 2019.

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 of the committee), Mr. Zhu Jianqiu and Mr. Meng Qingbin.

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 of the committee), Mr. Jonathan Chan Ming Sun, and Mr. Gao Xudong.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the nine months ended 30 September 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVE IN THE COMPANY

As at 30 September 2019, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which are required (a) to be notified to the Company and the Stock Exchange pursuant to 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 were as follows:

Interests in Shares

Number of Director	**Capacity**	**Name of ordinary shares interested** *(Note 1)*	**Approximate percentage of interest**
Mr. Zhu Jianqiu ("Mr. Zhu") *(Note 2)*	Interest in a controlled corporation	82,415,762 (L)	5.67%

Note:

1. (L) represents long position.

2. Mr. Zhu is the sole shareholder of Typical Faith Limited, which in turn held the 82,415,762 shares of the Company (the "Shares").

Save as disclosed in this paragraph, as at 30 September 2019, none of the Directors or chief executive of the Company had interests in any shares, underlying shares or debentures 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 nine months ended 30 September 2019 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. As at the date of this announcement, the Company has not granted any share options to the Directors.

INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS IN THE COMPANY

So far as was known to the Directors, as at 30 September 2019, the persons or companies (not being a Director or chief executive of the Company) whose interests or short positions 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 interested** *(Note 1)*		**Approximate percentage of interest in relevant class of shares** *(Note 2)*
Sichuan Changhong Electric Co., Ltd ("Sichuan Changhong")	Interests of controlled corporation and beneficial owner	Ordinary	1,008,368,000 *(Note 3)*	(L)	69.32%
		Preference	1,115,868,000 *(Note 4)*	(L)	100.00%
Changhong (Hong Kong) Trading Limited ("Changhong Hong Kong")	Interests of controlled corporation and beneficial owner	Ordinary	913,000,000 *(Note 5)*	(L)	62.76%
		Preference	1,115,868,000 *(Note 4)*	(L)	100.00%

Name of substantial shareholder	Capacity	Class of shares	Number of shares interested *(Note 1)*		Approximate percentage of interest in relevant class of shares *(Note 2)*
Fit Generation Holding Limited ("Fit Generation")	Beneficial owner	Ordinary Preference	897,000,000 1,115,868,000	(L) (L)	61.66% 100.00%
Sichuan Chuantou Assets Management Co., Ltd ("Chuantou Assets Management") *(Note 6)*	Beneficial owner	Ordinary	83,009,340	(L)	5.70%
Sichuan Provisional Investment Group Company Limited ("Sichuan Investment") *(Note 6)*	Interests of controlled corporation	Ordinary	83,009,340	(L)	5.70%
Typical Faith Limited *(Note 7)*	Beneficial owner	Ordinary	82,415,762	(L)	5.67%

Notes:

1. (L) represents long position.

2. The percentages are calculated based on the total number of Shares and preference shares of the Company in issue as at 30 September 2019, which were 1,454,652,000 and 1,115,868,000, respectively.

3. Among 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 and 897,000,000 Shares were held through Fit Generation, which is wholly-owned by Changhong Hong Kong. Sichuan Changhong is therefore deemed to be interested in the Shares held by Changhong Hong Kong and Fit Generation for the purpose of the SFO.

4. 1,115,868,000 preference shares were held by Fit Generation, which is wholly-owned by Changhong Hong Kong. Each of Sichuan Changhong and Changhong Hong Kong is therefore deemed to be interested in the preference shares of the Company held by Fit Generation for the purpose of the SFO.

5. Among the 913,000,000 Shares held by Changhong Hong Kong, 16,000,000 Shares were held directly and 897,000,000 Shares were held through Fit Generation. As Fit Generation is wholly-owned by Changhong Hong Kong, Changhong Hong Kong is deemed to be interested in the Shares held by Fit Generation for the purpose of the SFO.

6. Chuantou Assets Management is wholly-owned by Sichuan Investment, which is deemed to be interested in the Shares held by Chuantou Assets Management for the purpose of the SFO.

7. Typical Faith Limited is wholly-owned by Mr. Zhu.

Save as disclosed above, as at 30 September 2019, 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 AND CONTROLLING SHAREHOLDER'S INTEREST IN 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 (Stock Code: 600839). Sichuan Changhong is principally engaged in the wholesale business of consumer home electronics items under the name of "Changhong".

Save as disclosed in this section, none of the Directors or the controlling shareholders of the Company or any of their respective close associates (as defined in the GEM Listing Rules) had any business or interest in a business which competes or may compete with the business of the Group and any other conflicts of interest which any person has or may have with the Group during the nine months ended 30 September 2019.

INTEREST OF THE COMPLIANCE ADVISER

In accordance with Rule 6A.20 of the GEM Listing Rules, the Company has appointed Lego Corporate Finance Limited ("Lego Corporate Finance") as the compliance adviser. Lego Corporate Finance, has declared its independence pursuant to Rule 6A.07 of the GEM Listing Rules. Neither Lego Corporate Finance nor any of its directors, employees or close associates (as defined under the GEM Listing Rules) had any interests in relation to the Company or in the share capital of any member of the Group which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules as at the date of this announcement, except for the compliance adviser agreement entered into between the Company and Lego Corporate Finance.

DIRECTORS' SECURITIES TRANSACTION

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its code of conduct regarding Directors' transactions in securities of the Company (the "Code of Conduct"). Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standards of dealings and the Code of Conduct throughout the nine months ended 30 September 2019.

EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period up to the date of this announcement.

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

Hong Kong, 25 October 2019

As at the date of this announcement, the executive Directors are Mr. Zhao Yong, Mr. Zhu Jianqiu, Mr. Yang Jun and Mr. Luo Yongping and the independent non-executive Directors are Mr. Jonathan Chan Ming Sun, Mr. Gao Xudong and Mr. Meng Qingbin.

This announcement will remain on the "Latest Company Information" page on the GEM website (www.hkgem.com) for at least 7 days from the date of its posting. This announcement will also be posted on the Company's website at www.changhongit.com.hk.