



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

(Incorporated in Bermuda with limited liability)

(Stock Code: 8016)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

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. 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.

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This announcement, for which the directors (the “Directors”) of Changhong Jiahua Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on 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 or deceptive; 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.

RESULTS

The board of directors (the “Board”) of the Company is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

		2017	2016
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations			
Revenue	2	21,024,255	19,063,248
Cost of sales		<u>(20,255,406)</u>	<u>(18,306,118)</u>
Gross profit		768,849	757,130
Other income	3	27,100	28,452
Distribution and selling expenses		(285,494)	(284,624)
Research and development expenses		(8,842)	(14,314)
Administrative expenses		(116,191)	(114,679)
Finance costs	5	(40,224)	(41,017)
Bad debts and impairment loss on trade receivables, net		(18,365)	(14,344)
Exchange gain (loss), net		<u>1,253</u>	<u>(6,438)</u>
Profit before tax		328,086	310,166
Income tax expenses	6	<u>(83,560)</u>	<u>(85,402)</u>
Profit for the year from continuing operations	7	244,526	224,764
Discontinued operation			
Profit for the year from discontinued operation	11	<u>–</u>	<u>8,007</u>
Profit for the year		<u>244,526</u>	<u>232,771</u>

	<i>NOTE</i>	2017 HK\$'000	2016 HK\$'000
Other comprehensive income (expense)			
<i>Item that will not be reclassified to profit or loss:</i>			
Exchange differences arising from translation of financial statements to presentation currency		111,650	–
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from translation of foreign operations		–	(98,397)
Total comprehensive income for the year		<u>356,176</u>	<u>134,374</u>
Profit for the year attributable to owners of the Company:			
– from continuing operations		356,176	224,764
– from discontinued operation		–	8,007
		<u>356,176</u>	<u>232,771</u>
Total comprehensive income attributable to owners of the Company:			
– from continuing operations		356,176	126,367
– from discontinued operation		–	8,007
		<u>356,176</u>	<u>134,374</u>
Earnings per share	<i>8</i>		
From continuing and discontinued operations			
Basic and diluted (<i>HK cents</i>)		<u>9.51</u>	<u>9.06</u>
From continuing operations			
Basic and diluted (<i>HK cents</i>)		<u>9.51</u>	<u>8.74</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

		2017	2016
	NOTES	HK\$'000	HK\$'000
Non-current assets			
Plant and equipment		29,255	30,350
Intangible assets		34,515	–
Available-for-sale investment		21,384	9,223
		<u>85,154</u>	<u>39,573</u>
Current assets			
Inventories		1,976,801	1,318,904
Trade and bills receivables	9	1,494,684	1,400,826
Prepayments, deposits and other receivables		63,006	51,171
Amounts due from related companies		7,163	17,930
Trade deposits paid		475,190	675,125
Pledged bank deposits		130,400	54,122
Bank balances and cash		467,245	253,282
		<u>4,614,489</u>	<u>3,771,360</u>
Current liabilities			
Trade and bills payables	10	2,043,973	1,607,015
Other payables		258,734	238,110
Tax payables		6,109	23,830
Borrowings		459,821	315,073
Amounts due to related companies		6,778	13,912
Customer deposits		284,694	249,524
		<u>3,060,109</u>	<u>2,447,464</u>
Net current assets		<u>1,554,380</u>	<u>1,323,896</u>
Total assets less current liabilities		<u>1,639,534</u>	<u>1,363,469</u>

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liability		
Government grants	<u>3,289</u>	<u>6,284</u>
Net assets	<u>1,636,245</u>	<u>1,357,185</u>
Capital and reserves		
Share capital	36,366	36,366
Convertible preference shares	27,897	27,897
Reserves	<u>1,571,982</u>	<u>1,292,922</u>
Total equity	<u>1,636,245</u>	<u>1,357,185</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital HK\$'000	Convertible preference share HK\$'000	Statutory reserve HK\$'000 (Note i)	Merger reserve HK\$'000 (Note ii)	Translation reserve HK\$'000	Other reserve HK\$'000 (Note iii)	Contributed surplus HK\$'000 (Note iv)	Retained earnings HK\$'000	Total HK\$'000
1 January 2016	36,366	27,897	49,535	(1,248,106)	(37,071)	(203,432)	2,043,641	605,391	1,274,221
Profit for the year	-	-	-	-	-	-	-	232,771	232,771
Exchange differences arising from translation of foreign operations	-	-	-	-	(98,397)	-	-	-	(98,397)
Total comprehensive (expenses) income for the year	-	-	-	-	(98,397)	-	-	232,771	134,374
Appropriation to statutory reserve	-	-	7,185	-	-	-	-	(7,185)	-
Dividends recognised as distribution (Note 13)	-	-	-	-	-	-	(51,410)	-	(51,410)
At 31 December 2016 and 1 January 2017	36,366	27,897	56,720	(1,248,106)	(135,468)	(203,432)	1,992,231	830,977	1,357,185
Profit for the year	-	-	-	-	-	-	-	244,526	244,526
Exchange differences arising from translation of financial statements to presentation currency	-	-	-	-	111,650	-	-	-	111,650
Total comprehensive income for the year	-	-	-	-	111,650	-	-	244,526	356,176
Appropriation to statutory reserve	-	-	8,582	-	-	-	-	(8,582)	-
Dividends recognised as distribution (Note 13)	-	-	-	-	-	-	(77,116)	-	(77,116)
At 31 December 2017	36,366	27,897	65,302	(1,248,106)	(23,818)	(203,432)	1,915,115	1,066,921	1,636,245

Notes:

- (i) In accordance with the Articles and Association of the People's Republic of China (the "PRC") subsidiaries and the relevant laws and regulations applicable in the PRC, companies established in the PRC are required to appropriate at least 10% of their statutory annual profits after tax determined in accordance with the relevant statutory rules and regulations applicable to enterprises in the PRC to the statutory reserve until the balance of the reserve reaches 50% of their respective registered capitals. Subject to certain restrictions as set out in the relevant PRC regulations, the statutory reserve may be used to offset against accumulated losses of the respective PRC companies. The amount of the transfer is subject to the approval of the board of director of the respective PRC companies.
- (ii) The merger reserve represents the difference between the considerations and the assets and liabilities acquired under business combinations under common control.
- (iii) The other reserve represents the difference between the consideration paid and the carrying values of non-controlling interests acquired during the year ended 31 December 2014.
- (iv) On 15 May 2015, a resolution was passed on the annual general meeting to approve the reduction of the amount of approximately HK\$2,095,051,000 standing to the credit of the share premium account of the Company and the transfer of the entire amount to the contributed surplus account of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1.1 GENERAL

Changhong Jiahua Holdings Limited (the “Company”) was incorporated in Bermuda with limited liability.

The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business is Unit 1412, 14/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong. The Company’s shares are listed on GEM (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”). As the Company is a public company with its shares listed on the Stock Exchange with most of its investors located in Hong Kong, the directors of the Company consider that HK\$ is preferable in presenting the operating result and financial position of the Group.

Sichuan Changhong Electronic Co., Limited (“Sichuan Changhong”), a company incorporated in the PRC with its shares listed on Shanghai Stock Exchange, has obtained the control over the board of directors of the Company since 2012. In the opinion of the directors of the Company, the immediate and ultimate holding company of the Company is Sichuan Changhong as at 31 December 2017.

The Company is an investment holding company.

1.2 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

2. REVENUE

Continuing operations

The principal activities of the Group are the provision of professional integrated 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 sale 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 year from continuing operations are as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
IT Consumer Products	10,809,340	9,803,344
IT Corporate Products	5,560,739	4,972,014
Others	4,654,176	4,287,890
	<u>21,024,255</u>	<u>19,063,248</u>

3. OTHER INCOME

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Continuing operations		
Bank interest income	5,310	2,513
Government grants	17,597	23,845
Waive of customer deposits	2,450	–
Others	1,743	2,094
	<u>27,100</u>	<u>28,452</u>

4. 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.

Specifically, the Group’s reportable and operating segments under HKFRS 8 are as follows:

Continuing operations:

1. IT Consumer Products – distribution of IT consumer products which include mainly personal computers, digital products and IT accessories.
2. IT Corporate Products – distribution of IT corporate products which include mainly storage products, minicomputers, networking products, personal computer servers, intelligent building management system products and unified communication and contact centre products.
3. Others – distribution of smartphones and development of its own brand products including but not limited to mobile location-based service products and provision of professional integrated IT solutions and services.

Discontinued operation:

Consumer Electronic Products – trading of consumer electronic products which include mainly LCD panels, electronic parts and components.

Segment profit represents the profit earned by each segment without allocation of other income, research and development expenses, finance costs exchange loss, net as well as unallocated head office and corporate administrative expenses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets do not include plant and equipment, intangible assets, prepayments, deposits and other receivables, pledged bank deposits, bank balances and cash and available-for-sale investment. Segment liabilities do not include other payables, tax payables, amounts due to related companies, government grants and borrowings.

The segment information reported does not include any amounts of the above discontinued operation, which is described in more detail in Note 11.

The following is an analysis of the Group’s revenue and results from continuing operations, as well as assets and liabilities by reportable and operating segment:

For the year ended 31 December 2017

Continuing operations

	IT consumer products <i>HK\$'000</i>	IT corporate products <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue				
External sales	<u>10,809,340</u>	<u>5,560,739</u>	<u>4,654,176</u>	<u>21,024,255</u>
Segment profit	<u>194,403</u>	<u>256,698</u>	<u>13,889</u>	464,990
Other income				27,100
Research and development expenses				(8,842)
Administrative expenses				(116,191)
Exchange gain, net				1,253
Finance costs				<u>(40,224)</u>
Profit before tax				<u>328,086</u>
Segment assets	<u>1,916,869</u>	<u>1,871,580</u>	<u>165,389</u>	3,953,838
Unallocated assets:				
Pledged bank deposits				130,400
Bank balances and cash				467,245
Prepayments, deposits and other receivables				63,006
Plant and equipment				29,255
Intangible assets				34,515
Available-for-sale investment				<u>21,384</u>
Total segment and consolidated assets				<u>4,699,643</u>
Segment liabilities	<u>1,097,091</u>	<u>1,098,099</u>	<u>133,477</u>	2,328,667
Unallocated liabilities:				
Other payables				258,734
Amounts due to related companies				6,778
Government grants				3,289
Tax payables				6,109
Borrowings				<u>459,821</u>
Total segment and consolidated liabilities				<u>3,063,398</u>

For the year ended 31 December 2016

Continuing operations

	IT consumer products <i>HK\$'000</i>	IT corporate products <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue				
External sales	<u>9,803,344</u>	<u>4,972,014</u>	<u>4,287,890</u>	<u>19,063,248</u>
Segment profit	<u>183,622</u>	<u>231,889</u>	<u>42,651</u>	458,162
Other income				28,452
Research and development expenses				(14,314)
Administrative expenses				(114,679)
Exchange loss, net				(6,438)
Finance costs				<u>(41,017)</u>
Profit before tax				<u>310,166</u>
Segment assets	<u>1,668,334</u>	<u>1,688,388</u>	<u>56,063</u>	3,412,785
Unallocated assets:				
Pledged bank deposits				54,122
Bank balances and cash				253,282
Prepayments, deposits and other receivables				51,171
Plant and equipment				30,350
Available-for-sale investment				<u>9,223</u>
Total segment and consolidated assets				<u>3,810,933</u>
Segment liabilities	<u>921,492</u>	<u>914,403</u>	<u>20,644</u>	1,856,539
Unallocated liabilities:				
Other payables				238,110
Amounts due to related companies				13,912
Government grants				6,284
Tax payables				23,830
Borrowings				<u>315,073</u>
Total segment and consolidated liabilities				<u>2,453,748</u>

For the year ended 31 December 2017

Continuing operations

	IT consumer products <i>HK\$'000</i>	IT corporate products <i>HK\$'000</i>	Others <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measure of segment profit or loss or segment assets:					
Impairment loss on trade receivables, net	9,498	8,267	600	–	18,365
(Reversal of allowance) allowance for inventories	(296)	(1,933)	5,818	–	3,589
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:					
Research and development expenses	–	–	–	8,842	8,842
Addition to non-current assets	–	–	–	47,163	47,163
Depreciation	–	–	–	5,437	5,437
Amortisation	–	–	–	306	306
Gain on disposal of plant and equipment	–	–	–	(19)	(19)
Bank interest income	–	–	–	(5,310)	(5,310)
Finance costs	–	–	–	40,224	40,224
Income tax expenses	–	–	–	83,560	83,560
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

For the year ended 31 December 2016

Continuing operations

	IT consumer products <i>HK\$'000</i>	IT corporate products <i>HK\$'000</i>	Others <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measure of segment profit or loss or segment assets:					
Bad debts and impairment loss on trade receivables, net	7,430	5,351	1,563	–	14,344
(Reversal of allowance) allowance for inventories	(724)	2,111	(2,814)	–	(1,427)
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:					
Research and development expenses	–	–	–	14,314	14,314
Addition to non-current assets	–	–	–	15,143	15,143
Depreciation	–	–	–	7,167	7,167
Gain on disposal of plant and equipment	–	–	–	(7)	(7)
Bank interest income	–	–	–	(2,513)	(2,513)
Finance costs	–	–	–	41,017	41,017
Income tax expenses	–	–	–	85,402	85,402
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Geographical information

The following table provides an analysis of the Group's sales from continuing operations by geographical market, based on the origin of the goods:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Mainland, China	20,961,229	19,033,712
Other regions	<u>63,026</u>	<u>29,536</u>
	<u>21,024,255</u>	<u>19,063,248</u>

The following is an analysis of the carrying amount of non-current assets* analysed by the geographical area in which the assets are located:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Hong Kong	5	6
Mainland, China	<u>63,765</u>	<u>30,344</u>
	<u>63,770</u>	<u>30,350</u>

* *Non-current assets excluded financial instruments.*

None of the Group's customers contributed over 10% of the total revenue of the Group for both years.

5. FINANCE COSTS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Continuing operations		
Interest on:		
Bank and others borrowings	17,978	16,603
Discounted bills with recourse	15,781	18,269
Guarantee fee	<u>6,465</u>	<u>6,145</u>
	<u>40,224</u>	<u>41,017</u>

6. INCOME TAX EXPENSES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Continuing operations		
Current tax:		
Hong Kong Profits Tax		
– Provision for the year	–	623
– Overprovision in prior years	–	(20)
	<u>–</u>	<u>603</u>
PRC Enterprise Income Tax (“EIT”)		
– Provision for the year	86,521	84,674
– (Over) underprovision in prior years	(2,961)	125
	<u>83,560</u>	<u>84,799</u>
	<u>83,560</u>	<u>85,402</u>

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

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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”) and Beijing Changhong IT Intelligence System Co., Ltd are 25% for both years, and Sichuan Changhong IT Duolayouhuo E-commerce Co., Ltd is 25% for 2017.

7. PROFIT FOR THE YEAR

Profit for the year from continuing operations has been arrived at after charging (crediting):

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Depreciation for plant and equipment	5,437	7,167
Amortisation of intangible assets	306	–
Auditor's remuneration	2,819	2,166
Directors' emoluments	12,998	9,993
Cost of inventories recognised as an expense	20,255,406	18,306,118
Staff costs, including directors' emoluments		
– Salaries and related staff costs	185,842	196,275
– Retirement benefits scheme contributions	35,910	39,943
	<u>221,752</u>	<u>236,218</u>
Exchange (gain) loss, net	(1,253)	6,438
Allowance (reversal of allowance) for inventories, net (included in cost of sales)	3,589	(1,427)
Impairment loss on trade receivables, net	18,365	12,854
Bad debts directly written off	–	1,490
Research and development expenses (<i>Note</i>)	8,842	14,314
Gain on disposal of plant and equipment	(19)	(7)
Minimum lease payments in respect of rented premises	<u>12,558</u>	<u>12,930</u>

Note: Included in the research and development expenses, approximately HK\$7,549,000 (2016: HK\$10,312,000) are related to staff costs.

8. EARNINGS PER SHARE

From continuing and discontinued operations

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

For the year ended 31 December 2017	Continuing operations HK\$'000
Earnings	
Profit for the year attributable to owners of the Company	244,526
<i>Less:</i> Earnings attributable to convertible preference shares	<u>(106,149)</u>
Earnings for the purpose of basic earnings per share	<u>138,377</u>
<i>Add:</i> Earnings attributable to convertible preference shares	<u>106,149</u>
Earnings for the purpose of diluted earnings per share	<u>244,526</u>

For the year ended 31 December 2016	Continuing operations HK\$'000	Discontinued operations HK\$'000	Total HK\$'000
Earnings			
Profit for the year attributable to owners of the Company	224,764	8,007	232,771
<i>Less:</i> Earnings attributable to convertible preference shares	<u>(97,570)</u>	<u>(3,476)</u>	<u>(101,046)</u>
Earnings for the purpose of basic earnings per share	<u>127,194</u>	<u>4,531</u>	<u>131,725</u>
<i>Add:</i> Earnings attributable to convertible preference shares	<u>97,570</u>	<u>3,476</u>	<u>101,046</u>
Earnings for the purpose of diluted earnings per share	<u>224,764</u>	<u>8,007</u>	<u>232,771</u>

Basic and diluted earnings per share for the discontinued operations in HK0.32 cents per share.

	2017	2016
	'000	'000
Number of Shares		
Weighted average number of ordinary shares		
for the purpose of basic earnings per share	1,454,652	1,454,652
Weighted average number of convertible preference shares		
for the purpose of diluted earnings per share	1,115,868	1,115,868
	<u>2,570,520</u>	<u>2,570,520</u>

9. TRADE AND BILLS RECEIVABLES

	2017	2016
	HK\$'000	HK\$'000
Trade receivables	1,410,879	1,376,794
<i>Less: Allowance for doubtful debts</i>	(80,994)	(60,671)
	<u>1,329,885</u>	<u>1,316,123</u>
Bills receivables	164,799	84,703
	<u>1,494,684</u>	<u>1,400,826</u>

The Group allows a credit period ranging from 30-180 days (2016: 30-180 days) to its third party trade customers. Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed twice a year. 74% (2016: 77%) of the trade and bills receivables are neither past due nor impaired.

The following is an aged analysis of trade and bills receivables, net of allowance for doubtful debts, based on the invoice dates at the end of the reporting period which approximated the respective revenue recognition dates:

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	570,609	699,957
31 – 60 days	608,065	403,673
61 – 90 days	142,067	93,879
91 – 180 days	66,621	59,860
181– 365 days	56,975	51,603
Over 1 year	50,347	91,854
	<u>1,494,684</u>	<u>1,400,826</u>

Included in the Group's trade and bills receivables balance are debtors with aggregate carrying amount of approximately HK\$331,239,000 (2016: HK\$278,158,000) which were past due at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered fully recoverable. The Group does not hold any collateral over these balances.

Ageing of trade and bills receivables which are past due but not impaired:

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	242,256	155,281
30 – 60 days	30,110	23,243
61 – 90 days	7,923	17,092
91 – 180 days	18,801	27,186
Over 180 days	32,149	55,356
	<u>331,239</u>	<u>278,158</u>

Movement of allowance for doubtful debts

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Balance at beginning of the year	60,671	55,414
Impairment loss on trade receivables	18,365	12,854
Amounts written off as uncollectible	(2,837)	(3,358)
Exchange realignment	4,795	(4,239)
	<u>80,994</u>	<u>60,671</u>
Balance at the end of the year	<u><u>80,994</u></u>	<u><u>60,671</u></u>

Included in the allowance for trade receivables are individually impaired trade receivables with an aggregate balance of approximately HK\$80,994,000 (2016: HK\$60,671,000) as at 31 December 2017, which have been in severe financial difficulties.

10. TRADE AND BILLS PAYABLES

The ageing analysis of trade and bills payables, based on the date of receipt of goods, is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 30 days	1,408,780	1,280,088
31 – 60 days	444,758	250,823
61 – 90 days	60,113	21,783
91 – 180 days	64,498	20,057
181 – 365 days	49,715	14,716
Over 1 year	16,109	19,548
	<u><u>2,043,973</u></u>	<u><u>1,607,015</u></u>

The credit period on purchase of goods is ranging from 30 – 120 days (2016: 30 – 120 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

11. DISPOSAL OF A SUBSIDIARY

During the year ended 31 December 2015, the Group ceased its operation in trading of consumer electronic products in Hong Kong that is classified as Consumer Electronic Products segment.

Accordingly, the operating results of the trading of consumer electronic products for the year ended 31 December 2016 in Hong Kong are presented as discontinued operation in the consolidated financial statements.

On 14 December 2016, the Group entered into a sale and purchase agreement with an independent third party under which the Group disposed of its entire equity interests in CHOD at a consideration of HK\$100 (the “Disposal”). The Disposal was completed on 21 December 2016, on which the control over CHOD was passed to the acquirer.

Profit for the period of the Consumer Electronic Products segment were as follows:

	Period from 1 January 2016 to 21 December 2016 <i>HK\$'000</i>
Profit for the period	465
Gain on Disposal	<u>7,542</u>
	<u>8,007</u>

Analysis of assets and liabilities over which control was lost:

	21 December 2016 <i>HK\$'000</i>
Bank balances and cash	2
Trade and bills payables	(7,845)
Provision	(713)
Other payables	(488)
Customer deposits	<u>(498)</u>
Net liabilities disposed of	<u><u>(9,542)</u></u>
Gain on disposal of CHOD:	
Consideration received	–
<i>Less:</i> legal and professional fees	(2,000)
Net liabilities disposed of	<u>9,542</u>
Gain on disposal	<u><u>7,542</u></u>
Net cash outflow arising on disposal:	
Cash consideration	–
Bank balances and cash disposed of	<u>(2)</u>
	<u><u>(2)</u></u>

The results of the Consumer Electronic Products segment for the period were as follows:

Period from
1 January 2016
to 21 December
2016
HK\$'000

Revenue	371
Cost of sales	<u>(728)</u>
Gross loss	(357)
Other income	102
Other gains and losses	2,974
Administrative expenses	(2,252)
Finance costs	<u>(2)</u>
Profit before tax	465
Income tax expenses	<u>—</u>
Profit for the period from discontinued operation (attributed to owners of the Company)	<u><u>465</u></u>

Profit for the period from discontinued operation has been arrived at after charging (crediting):

Period from
1 January 2016
to 21 December
2016
HK\$'000

Cost of inventories recognised as an expense	<u>728</u>
Staff costs	
– Salaries and related staff costs	322
– Retirement benefits scheme contributions	<u>11</u>
	<u>333</u>
Reversal of provision (<i>Note</i>)	(3,043)
Waive of trade payables	(31)
Loss on disposal of plant and equipment	2
Depreciation	5
Auditor's remuneration	—
Bad debts directly written off	27
Exchange loss, net	<u><u>40</u></u>

Period from
1 January 2016
to 21 December
2016
HK\$'000

Net cash used in operating activities	(3,145)
Net cash generated from investing activities	8
Net cash generated from financing activities	<u>2,448</u>

Note:

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

On 31 December 2015, there were certain outstanding claims from purported suppliers with total amount of approximately HK\$9,407,000. In the opinion of directors of the Company, an additional provision of approximately HK\$3,756,000 was made for these claims. These have been recognised in the liabilities associated with assets classified as held for sale included in the consolidated statement of financial position as at 31 December 2015.

During the year ended 31 December 2016, CHOD entered into settlement agreements with the purported suppliers in respect of their current claims. CHOD has mutually agreed with majority of these purported suppliers for the settlement amounts and the excessive provision of approximately HK\$3,043,000 was subsequently reversed.

Upon the completion of the Disposal, the Company ceased to hold any interest in CHOD. CHOD had no significant impact on the Group's operating, investing and financing cash flows for the year ended 31 December 2016.

12. CONTINGENT LIABILITIES

During the years ended 31 December 2017 and 2016, the Group (i) endorsed certain bills receivable for the settlement of trade and other payables; and (ii) discounted certain bills receivable to banks for raising of cash. In the opinion of the directors of the Company, the Group has transferred the significant risks and rewards relating to these bills receivable, and the Group's obligations to the corresponding counterparties were discharged in accordance with the commercial practice in the PRC and the risk of the default in payment of the endorsed and discounted bills receivable is low because all endorsed and discounted bills receivable are issued and guaranteed by the reputable PRC banks. As a result, the relevant assets and liabilities were not recognised on the consolidated financial statements. The maximum exposure to the Group that may result from the default of these endorsed and discounted bills receivable at the end of each reporting period are as follows:

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Settlement of trade and other payables	135,808	20,698
Discounted bills for raising of cash	274,380	121,187
Outstanding endorsed and discounted bills receivable with recourse	<u>410,188</u>	<u>141,885</u>

The outstanding endorsed and discounted bills receivable are aged within 180 days at the end of each reporting period.

At 31 December 2017, the Company had also given guarantees to certain suppliers in relation to the subsidiaries' settlement of the respective payables. The maximum aggregate amounts payable to these suppliers under guarantee were approximately HK\$613,710,000 (2016: Nil).

13. DIVIDENDS

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividends recognised as distribution during the year:		
2016 Final – HK3 (2016: 2015 Final – HK2) cents per share	<u>77,116</u>	<u>51,410</u>

The directors recommend the payment of a final dividend of HK3 cents (2016 Final: HK3 cents) per share in respect of the year ended 31 December 2017 which is subject to approval by the shareholders in the forthcoming annual general meeting.

EXTRACT OF REPORT OF THE AUDITORS

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2017.

QUALIFIED OPINION

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

On 21 December 2016, the Group disposed of the entire equity interest in a wholly owned subsidiary, Changhong Overseas Development Limited ("CHOD"), to an independent third party. The books and accounting records of CHOD were found to be incomplete as at 1 January 2016, and we were unable to obtain sufficient appropriate audit evidence about the gain on disposal of CHOD of approximately HK\$7,542,000 and the profit for the year from discontinued operation of approximately HK\$465,000 for the year ended 31 December 2016 included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017 and the related disclosures. This caused us to qualify our audit opinion on the consolidated financial statements in respect of the year ended 31 December 2016. Any adjustments found to be necessary would affect the Group's profits and cash flows for the year ended 31 December 2016.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules which sets out corporate governance principles and code provisions (the "Code Provisions"). Throughout the year ended 31 December 2017, the Company has complied with all the Code Provisions as set out under the CG Code.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors is appointed for a twelve-month term, which is renewable automatically with a fixed amount of remuneration per annum. Mr. Jonathan CHAN Ming Sun, Mr. Robert IP Chun Chung and Mr. SUN Dongfeng have served the Group for more than nine years. Pursuant to Code Provision A.4.3 of the CG Code, (a) an independent non-executive Director having served the Company for more than nine years could be relevant to the determination of an independent non-executive Director's independence; and (b) if an independent non-executive Director has served more than nine years, his further appointment should be subject to a separate resolution to be approved by Shareholders and the papers to Shareholders accompanying that resolution should include the reasons why the Board believes he is still independent and should be re-elected. The re-election of each of Mr. Johnathan CHAN Ming Sun, Mr. Robert IP Chun Chung and Mr. SUN Dongfeng as an independent non-executive Director was approved by the Shareholders at the annual general meeting of the Company held on 19 May 2016. For details of the reasons why the Board believes each of Mr. Johnathan CHAN Ming Sun, Mr. Robert IP Chun Chung and Mr. SUN Dongfeng is still independent and should be re-elected, please refer to the circular of the Company dated 30 March 2016.

All independent non-executive Directors have confirmed their independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers them to be independent.

REMUNERATION COMMITTEE

The Company has established the remuneration committee with written terms of reference. The remuneration committee currently comprises three independent non-executive directors and one executive director. It is chaired by an independent non-executive director. During the year, the remuneration committee held a meeting.

AUDIT COMMITTEE

The Company has established the audit committee with written terms of reference. The audit committee currently comprises four independent non-executive directors. At the discretion of the audit committee, executive directors and/or senior management personnel, overseeing the Group's finance and internal control functions, may be invited to attend meeting.

During the year under review, the audit committee held seven meetings. The annual results for the year ended 31 December 2017 have been reviewed by the audit committee.

NOMINATION COMMITTEE

The Company has established the nomination committee with written terms of reference. The nomination committee currently comprises three independent non-executive directors and one executive director. It is chaired by the Chairman of the Board. During the year, the nomination committee held a meeting.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board conducts regular reviews on the effectiveness of the risk management and internal control systems on at least an annual basis to ensure that the operation of the Company is legal, the assets of the Company are safeguarded and the financial information that the Company relies on for the operation of its business or for the release to the public are accurate and reliable. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The management of the Group is responsible for establishing and maintaining the risk management and internal control systems for financial reporting. The Company has established a stringent internal control system for financial reporting to eliminate the risks of misstatement, omission and fraud in financial reporting. Meanwhile, with reference to external regulatory requirements, the Company's business development and the internal management procedures, the Company has reviewed the effectiveness of the internal control system for business strategy, finance, operations, marketing, legal compliance and other areas. The Company has established a comprehensive risk management system which integrates internal control and risk management system for the control of business operations with high risks. The Company also conducted assessment on the effectiveness of its internal control and risk management systems for the year ended 31 December 2017. The management of the Group believes that the internal control, risk management and financial reporting systems were effective and adequate and provided reliable financial data in the preparation of financial statements in accordance with generally accepted accounting principles.

All material information related to the Company is disclosed through the leadership of the Board together with the performance of the relevant duties by the management. The Company has performed an annual review of the effectiveness of the disclosure procedures. The Company's disclosure procedures were effective at a reasonable assurance level.

The Board has overall responsibilities for the establishment of, maintaining an adequate and effective internal control system and for reviewing its effectiveness to safeguard the Company's assets against unauthorized use or disposition, and to protect the interests of shareholders of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

2017 Business Review

In 2017, major economies in the world all grew in the same pace. The countries of emerging market presented a strong growth, while the developed countries enjoyed a stable recovery. Chinese economy shifted from a fast growth to a high quality one, demonstrating a more sustainable trend. IT technologies, such as cloud computing, big data, block chain, artificial intelligence and mobile internet, have grown very fast, becoming the critical factors for integrated development of various industries. In 2017, the Group further integrated the international technology with product resources, expanded the traditional distribution business steadily, and made efforts to develop the cloud computing and big data business, and put the big data solution into practice. In 2017, the Group built and improved the internet distribution platform, explored and built business models based internet distribution, expanded sale channels and products incremental, and promoted the integration between on-line channels and off-line ones. In 2017, the main business scale and revenue of the Group both grew well.

In 2017, the Group recorded revenue of approximately HK\$21,024.26 million, representing an increase of 10.29% as compared with that in the corresponding period of the last financial year. The gross profit margin in 2017 was 3.66%, representing a decrease of approximately 0.31% as compared with that in the corresponding period of the last financial year, mainly due to intense market competition and the increase in contribution from the sale of product lines with relatively lower gross profit margins. In 2017, profit attributable to shareholders amounted to approximately HK\$244.53 million, representing an increase of approximately 5.05% as compared with that in the corresponding period of the last financial year, and basic earnings per share amounted to HK 9.51 cents, representing an increase of approximately HK 0.45 cents as compared with HK 9.06 cents in the corresponding period of the last financial year.

In 2017, the Group continued to strengthen its risk management and control, reinforced management over accounts receivables and inventory, allocated funds rationally, accelerated assets turnover, and maintained sufficient working capital; the Group further integrated business process with finance process to continuously optimize operation management. In 2017, the net increase in cash and cash equivalents was approximately HK\$191.55 million, representing a significant increase as compared with HK\$115.73 million in the corresponding period of the last financial year; the overall operating expense ratio recorded a decrease of 0.24% as compared with that in the corresponding period of the last financial year.

IT consumer products distribution business: in view of the continuous demands drop in PC market, the Group deepened cooperation with core manufacturers, worked carefully and diligently improved the marketing and service capacity through on-line channels, ensuring a growth of scale and a sustainable market share. At the same time, the Group worked on to improve the functioning and operating systems of internet distribution platform, enhanced the business operation efficiency, and expanded the coverage of channels via various products combinations and professional on-line and off-line service. Revenue in this segment increased by 10.26% to HK\$10,809.34 million as compared with the corresponding period of last year, while its profit increased by 5.87% to HK\$194.40 million.

IT corporate products distribution business: the Group maintained good operation and achieved significant growth in the traditional distribution business, and continued to expand the scale of localization business. In terms of cloud computing, the Group actively sought new cooperation models and developed the business of cloud solutions. In terms of big data, the Group offered the optimized and integrated products and service to customer through domestic channel resources based on the world-leading technology platform and products, launching big data solutions for industries. Revenue in this segment increased by 11.84% to HK\$5,560.74 million as compared with the corresponding period of last year. Profit in this segment increased by 10.70% to HK\$256.70 million.

Other business: revenue in the smart phone segment increased by 8.54% to HK\$4,654.18 million as compared with the corresponding period of last year due to growing sales channels. Profit in this segment decreased by 67.44% to HK\$13.89 million as compared with the corresponding period of last year due to the drop of sales of LBS product with relative high margin.

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

On 4 May 2017, Mr. Yu Xiao and Mr. Wu Xiangtao have tendered their resignations as executive Directors with effect from 4 May 2017 in order to devote more time to their other business commitments. Mr. Li Jin and Mr. Yang Jun have been appointed as executive Directors with effect from 4 May 2017. In addition, Mr. Zhao Yong has appointed Mr. Li Jin as his alternate director with effect from 4 May 2017. For further details, please refer to the announcement of the Company dated 4 May 2017.

LIQUIDITY AND FINANCIAL RESOURCES

For the year ended 31 December 2017, the Group's financial and liquidity positions remained healthy and stable. As at 31 December 2017, the aggregate outstanding borrowings of the Group were approximately HK\$459.82 million (2016: HK\$315.07 million), which were partially unsecured and interest bearing. The increase in the Group's borrowings was due to the increase in demand of payment as compared with the corresponding period of last year. The Group's cash and bank balances amounted to approximately HK\$597.65 million (2016: HK\$307.40 million), together with trade and bills receivables amounting to approximately HK\$1,494.68 million (2016: HK\$1,400.83 million). For the year ended 31 December 2017, the Group's net current assets amounted to approximately HK\$1,554.38 million (2016: HK\$1,323.90 million) and the Group did not have any charges on its fixed assets (2016: Nil). The net gearing ratio (total net debt/total shareholders' equity) of the Group as at 31 December 2016 was 1.86 times (2016: 1.81 times). The management of the Group is confident that with proper funding arrangements, the Group's financial resources are sufficient to finance its daily operations.

The Group's monetary assets and liabilities and transactions are principally denominated in Renminbi, Hong Kong dollars and United States dollars. As the spread of exchange rate of Renminbi is locked and the exchange rate between Hong Kong dollars and United States dollars is pegged, the Group believes its exposure to exchange risk is minimal. The Company will however continue to monitor the situation and assess whether any hedging arrangement is necessary.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2017, the total number of the Group's staff was 1,063 (2016: 1,203 staff). For the year ended 31 December 2017, Total staff costs (including Directors) amounted to approximately HK\$221.75 million (2016: HK\$236.22 million) . The Group remunerates its employees based on their performance, experience and the prevailing industry practice. The remuneration of executive Directors is determined based on the Company's financial position in a fixed sum; whereas the remuneration of independent non-executive Directors is determined with reference to the prevailing market conditions and the workload. The Group provides retirement benefit for its employees in Hong Kong in the 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.

During the year ended 31 December 2017, there were no outstanding share options granted or exercised as the share option scheme previously adopted by the Company had expired.

The Group did not experience any significant labour disputes or substantial changes in the number of its employees that led to any disruption of normal business operations. The Directors consider that the Group has developed good relationships with its employees.

EVENTS OCCURRED SINCE THE END OF THE FINANCIAL YEAR

There was no significant events occurred after 31 December 2017 that might affect the Group.

OUTLOOK

Going forward, in 2018, the global economy is expected to maintain a good growing trend, while still faced with certain risks and challenges, resulting in great uncertainties and mounting systemic financial risks in global trade. Driven by supply-side structural reform and strategy of innovation-driven development, Chinese economy will be kept on fast and steady growth track. As cloud computing technology develops and is used more in practice, the cloud application and cloud service will be used more widely in corporates. A new generation artificial intelligence will push all sectors in society and economy to accelerate their shift from being digital and network-based to being smart, creating new demands, new products and new industries. Under this new industry development trend, the Group will continue to shift itself to be an integrated IT service provider. In 2018, the Group will formulate the business operation policies of “expanding omni-channel, being professional, and developing new distribution and being a partner to help customer grow” to seize the opportunity for a fast growth. The Group will help manufacturers to construct a full omni-channel and provide support and service to Omni-Channel partners. The Group will define and lead the transform and upgrade of IT distribution industry in China, and explore for new markets, new products and new models that could add value to our partners. Confident about its capacity in this industry and its choice of a path for development, the Group will share its growth with partners and create more value for our shareholders.

DIVIDEND

The Board recommended the payment of final dividend of HK\$0.03 per share of the Company (the “Share(s)”) in respect of the year ended 31 December 2017 (2016: HK\$0.03 per Share), and there is no arrangement that a Shareholder has waived or agreed to waive any dividend. The final dividend is expected to be paid on Thursday, 7 June 2018 to all Shareholders whose name appear on the register of members of the Company at the close of business on Thursday, 24 May 2018 and is subject to approval by the Shareholders at the forthcoming annual general meeting of the Company (“AGM”).

CLOSURE OF REGISTER OF MEMBERS FOR AGM

The AGM is scheduled to be held on Friday, 18 May 2018. The Company's register of members will be closed from Tuesday, 15 May 2018 to Friday, 18 May 2018, both days inclusive, for the purpose of determining the entitlements of the Shareholders to attend and vote at the AGM. During this period, no transfer of Shares will be registered. In order to qualify for attending and voting at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 14 May 2018.

CLOSURE OF REGISTER OF MEMBERS FOR PROPOSED FINAL DIVIDEND

The Company's register of members will be closed from Friday, 25 May 2018 to Tuesday, 29 May 2018, both days inclusive, for the purpose of determining the entitlements of the Shareholders to the proposed final dividend of HK\$0.03 per Share for the year ended 31 December 2017, if approved at the AGM. During this period, no transfer of Shares will be registered. In order to qualify for the proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 24 May 2018. The proposed final dividend will be paid to Shareholders whose names appear on the register of members of the Company at 4:30 p.m. on Thursday, 24 May 2018.

INTERESTS OF THE DIRECTORS IN THE COMPANY

As at 31 December 2017, the interests or short positions of the Directors and chief executives 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 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 were as follows:

Name of Director	Capacity	Number of Shares held	Approximate percentage of interest %
Mr. Zhu Jianqiu (“Mr. Zhu”) (<i>Note a</i>)	Interest in a controlled corporation	82,415,762 (L)	5.67

Note:

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

Save as disclosed in this paragraph, as at 31 December 2017, none of the Directors or chief executives of the Company had interests in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be 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 year ended 31 December 2017 were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS IN THE COMPANY

So far as was known to the Directors, as at 31 December 2017, the persons or companies (not being a Director or chief executive of the Company) whose interests in the Shares or underlying Shares or debentures of the Company which would fall to be disclosed or were notified to the Company and the Stock Exchange pursuant to the positions under Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO or who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

Long positions in Shares

Name of substantial Shareholder	Capacity	Class of Shares	Number of Shares held	Approximate percentage of interest in relevant class of Shares (Note a) %
Sichuan Changhong Electric Co, Limited ("Sichuan Changhong")	Interest of controlled corporation and beneficial owner	Ordinary	1,008,368,000 (L) (Note b)	69.32
		Preference	1,115,868,000 (L) (Note c)	100.00
Changhong (Hong Kong) Trading Limited ("Changhong Hong Kong")	Interest of controlled corporation and beneficial owner	Ordinary	913,000,000 (L) (Note d)	62.76
		Preference	1,115,868,000 (L) (Note c)	100.00
Fit Generation Holding Limited ("Fit Generation")	Beneficial owner	Ordinary	897,000,000 (L)	61.66
		Preference	1,115,868,000 (L)	100.00
Sichuan Investment Management Company Limited ("Sichuan Investment Management") (Note e)	Beneficial owner	Ordinary	83,009,340 (L)	5.70
Sichuan Provisional Investment Group Company Limited ("Sichuan Investment") (Note e)	Interest of controlled corporation	Ordinary	83,009,340 (L)	5.70
Typical Faith Limited (Note f)	Beneficial owner	Ordinary	82,415,762 (L)	5.67

Notes:

- (a) The percentages are calculated based on the total number of Shares and preference shares of the Company in issue as at 31 December 2017, which were 1,454,652,000 and 1,115,868,000, respectively.
- (b) Of the 1,008,368,000 Shares held by Sichuan Changhong, 95,368,000 Shares were held directly, 16,000,000 Shares were held through its wholly-owned subsidiary, Changhong Hong Kong 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.
- (c) 1,115,868,000 preference shares of the Company were held by Fit Generation, which is wholly-owned by Changhong Hong Kong, which is a wholly-owned subsidiary of Sichuan Changhong. 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.
- (d) Of 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 Kong Kong, Changhong Hong Kong is deemed to be interested in the Shares held by Fit Generation for the purpose of the SFO.
- (e) Sichuan Investment Management is wholly-owned by Sichuan Investment Group, which is deemed to be interested in the Shares held by Sichuan Investment Management for the purpose of the SFO.
- (f) Typical Faith Limited is wholly-owned by Mr. Zhu.

Save as disclosed above, as at 31 December 2017, the Directors were not aware of any other person who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 5% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

DIRECTOR'S INTEREST IN A COMPETING BUSINESS

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

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

PURCHASE, SALE AND REDEMPTION OF THE COMPANY’S LISTING SECURITIES

During the year ended 31 December 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

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

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

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

Hong Kong, 23 March 2018

As at the date of this announcement, the Company’s executive directors are Mr. Zhao Yong, Mr. Zhu Jianqiu, Mr. Li Jin, Mr. Yang Jun and Ms. Shi Ping 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, for which the directors of the Company 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 of Hong Kong Limited 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 the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will appear on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the day of its posting thereon and on the website of the Company at www.changhongit.com.hk.