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: 3991)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	NOTES	**2019** *HK$'000*	2018 *HK$'000*
Revenue	*3*	**29,999,669**	22,098,076
Cost of sales		**(29,040,470)**	(21,266,681)
Gross profit		**959,199**	831,395
Other income	*4*	**52,711**	46,266
Distribution and selling expenses		**(328,253)**	(306,008)
Research and development expenses		**(13,509)**	(26,012)
Administrative expenses		**(168,480)**	(123,485)
Finance costs	*6*	**(85,411)**	(54,011)
Impairment loss on trade receivables, net		**(7,705)**	(1,748)
Exchange loss, net		**(6,601)**	(8,246)

	NOTES	**2019** HK$'000	2018 HK$'000
Profit before tax		**401,951**	358,151
Income tax expenses	*7*	**(112,785)**	(88,001)
Profit for the year attributable to the owners of the Company	*8*	**289,166**	270,150
Other comprehensive expense			
Item that will not be reclassified to profit or loss:			
Exchange differences arising from translation of consolidated financial statements to presentation currency		**(46,501)**	(96,038)
Total comprehensive income for the year attributable to owners of the Company		**242,665**	174,112
Earnings per share	*9*		
Basic and diluted (HK cents)		**11.25**	10.51

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
Non-current assets			
Plant and equipment		**18,326**	23,809
Intangible assets		**28,404**	35,903
Right-of-use asset		**2,946**	–
Financial asset at fair value through profit or loss		**30,699**	31,386
		80,375	91,098
Current assets			
Inventories		**2,115,395**	2,337,668
Trade receivables	*10*	**2,087,415**	1,413,900
Bills receivables at fair value through other comprehensive income		**381,023**	273,218
Prepayments, deposits and other receivables		**93,935**	88,100
Amounts due from related companies		**19,084**	7,543
Trade deposits paid		**771,271**	649,981
Structured bank deposits		**–**	672,221
Pledged bank deposits		**1,022,483**	179,107
Bank balances and cash		**711,740**	334,240
		7,202,346	5,956,031
Current liabilities			
Trade and bills payables	*11*	**3,633,152**	2,807,980
Other payables		**309,237**	246,875
Tax payables		**14,857**	22,061
Borrowings		**1,005,285**	880,466
Amounts due to related companies		**6,412**	6,698
Contract liabilities		**409,903**	347,231
Lease liabilities		**3,058**	–
		5,381,904	4,311,311
Net current assets		**1,820,442**	1,644,720

	2019	2018
	HK$'000	*HK$'000*
Total assets less current liabilities	**1,900,817**	1,735,818
Non-current liabilities		
Government grants	**1,946**	2,577
Lease liabilities	**81**	–
	2,027	2,577
Net assets	**1,898,790**	1,733,241
Capital and reserves		
Share capital	**36,366**	36,366
Convertible preference shares	**27,897**	27,897
Reserves	**1,834,527**	1,668,978
Total equity	**1,898,790**	1,733,241

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share capital *HK$'000*	Convertible preference shares *HK$'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*
At 31 December 2017 and 1 January 2018	36,366	27,897	65,302	(1,248,106)	(23,818)	(203,432)	1,915,115	1,066,921	1,636,245
Profit for the year	–	–	–	–	–	–	–	270,150	270,150
Exchange differences arising from translation of consolidated financial statements to presentation currency	–	–	–	–	(96,038)	–	–	–	(96,038)
Total comprehensive (expense) income for the year	–	–	–	–	(96,038)	–	–	270,150	174,112
Appropriation to statutory reserve	–	–	41,967	–	–	–	–	(41,967)	–
Dividends recognised as distribution *(Note 12)*	–	–	–	–	–	–	(77,116)	–	(77,116)
At 31 December 2018	**36,366**	**27,897**	**107,269**	**(1,248,106)**	**(119,856)**	**(203,432)**	**1,837,999**	**1,295,104**	**1,733,241**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**289,166**	**289,166**
Exchange differences arising from translation of consolidated financial statements to presentation currency	**–**	**–**	**–**	**–**	**(46,501)**	**–**	**–**	**–**	**(46,501)**
Total comprehensive (expense) income for the year	**–**	**–**	**–**	**–**	**(46,501)**	**–**	**–**	**289,166**	**242,665**
Appropriation to statutory reserve	**–**	**–**	**3,950**	**–**	**–**	**–**	**–**	**(3,950)**	**–**
Dividends recognised as distribution *(Note 12)*	**–**	**–**	**–**	**–**	**–**	**–**	**(77,116)**	**–**	**(77,116)**
At 31 December 2019	**36,366**	**27,897**	**111,219**	**(1,248,106)**	**(166,357)**	**(203,432)**	**1,760,883**	**1,580,320**	**1,898,790**

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 2019

1. GENERAL

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

The Company's shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the year and the listing of the Company's shares have been transferred from GEM to Main Board of the Stock Exchange on 18 March 2020 pursuant to the approval granted by the Stock Exchange on 9 March 2020. 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 is an investment holding company.

The functional currency of the Company is Renminbi ("RMB") and 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 People's Republic of China (the "PRC") with its shares listed on the 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 ultimate holding company of the Company is Sichuan Changhong as at 31 December 2019. Its immediate holding company is Fit Generation Holding Limited, a private company incorporated in the British Virgin Islands.

2. APPLICATION OF NEW AND AMENDMENTS HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 16	*Leases*
HK(IFRIC) – Int 23	*Uncertainty over Income Tax Treatments*
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

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

HKFRS 16 Leases

The Group has applied HKFRS 16 *Leases* for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases*, and the related interpretations.

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 standard 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.

As at 1 January 2019, the Group recognised lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained earnings 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 environments. Specifically, discount rate for certain leases of offices in PRC was determined on a portfolio basis.

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 incremental borrowing rate applied is 4.75%.

	At 1 January 2019 *HK$'000*
Operating lease commitments disclosed as at 31 December 2018	13,302
	12,502
Lease liabilities as at 1 January 2019	(2,724)
Lease liabilities discounted at relevant incremental borrowing rates	
Less: Practical expedient-leases with lease term ending within 12 months from the date of initial recognition	9,778
Analysed as	
Current	6,783
Non-current	2,995
	9,778

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets *HK$'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	9,778

The following adjustment were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	**Adjustments**	**Carrying amounts under HKFRS 16 1 January 2019**
	HK$'000	***HK$'000***	***HK$'000***
Non-current assets			
Right-of-use assets	–	9,778	9,778
Current liabilities			
Lease liabilities	–	6,783	6,783
Non-current liabilities			
Lease liabilities	–	2,995	2,995

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRSs

HKFRS 17	*Insurance Contracts*[1]
Amendments to HKFRS 3	*Definition of a Business*[2]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[4]

[1] Effective for annual periods beginning on or after 1 January 2021

[2] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

[3] Effective for annual periods beginning on or after a date to be determined

[4] Effective for annual periods beginning on or after 1 January 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of “obscuring” material information in which the effect is similar to omitting or misstating the information;

- replace threshold for materiality influencing users from “could influence” to “could reasonably be expected to influence”; and

- include the use of the phrase “primary users” rather than simply referring to “users” which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group’s annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the “New Framework”) and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;

- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;

- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;

- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and

- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

3. REVENUE

(i) Disaggregation of revenue from contracts with customers

	For the year ended 31 December 2019			
Segments	**IT consumer products**	**IT corporate products**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Types of goods or service				
Sales of IT products	12,250,375	7,997,218	54,472	20,302,065
Sales of smartphone and own brand products	–	–	9,493,897	9,493,897
Sales of warranty packages and professional integrated IT solutions	5,122	102,510	78,781	186,413
Provision of IT services	–	–	17,294	17,294
	12,255,497	8,099,728	9,644,444	29,999,669
Timing of revenue recognition				
A point of time	12,255,497	8,099,728	9,627,150	29,982,375
Overtime	–	–	17,294	17,294
	12,255,497	8,099,728	9,644,444	29,999,669

Segments	For the year ended 31 December 2018 IT consumer products *HK$'000*	IT corporate products *HK$'000*	Others *HK$'000*	Total *HK$'000*
Types of goods or service				
Sales of IT products	11,053,217	6,976,552	–	18,029,769
Sales of smartphone and own brand products	–	–	3,933,589	3,933,589
Sales of warranty packages and professional integrated IT solutions	–	–	110,572	110,572
Provision of IT services	–	–	24,146	24,146
	11,053,217	6,976,552	4,068,307	22,098,076
Timing of revenue recognition				
A point of time	11,053,217	6,976,552	4,044,161	22,073,930
Overtime	–	–	24,146	24,146
	11,053,217	6,976,552	4,068,307	22,098,076

(ii) Performance obligations for contracts with customers

For sales of products to distributors, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the distributors' specific location (delivery). Following delivery, the distributor has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. For sales of warranty packages and professional integrated IT solutions, control is transferred when the customers have the right to use or sell these products.

The IT services are recognised overtime and considered to be distinct services as it is supplied by the Group to customers on a stand-alone basis or is available for customers from other providers in the market.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

All sales of goods and provision of services are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

4. OTHER INCOME

	2019	2018
	HK$'000	*HK$'000*
Bank interest income	**10,700**	6,669
Government grants	**30,106**	27,155
Waive of customer deposits	**358**	1,028
Waive of trade payables	**1,985**	5,890
Compensation income	**–**	2,873
Investment income	**9,316**	1,559
Others	**246**	1,092
	52,711	46,266

5. SEGMENT INFORMATION

Information reported to the executive directors or the 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:

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 communications 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, sales of warranty packages and professional integrated IT solutions and provision of IT services.

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies. 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, right-of-use assets, prepayments, deposits and other receivables, structured bank deposits, pledged bank deposits, bank balances and cash, and financial asset at FVTPL. Segment liabilities do not include other payables, tax payables, lease liabilities, amounts due to related companies, government grants and borrowings.

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

For the year ended 31 December 2019

	IT consumer products *HK$'000*	**IT corporate products** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Revenue				
External sales	**12,255,497**	**8,099,728**	**9,644,444**	**29,999,669**
Segment profit	**253,938**	**322,742**	**46,561**	**623,241**
Other income				**52,711**
Research and development expenses				**(13,509)**
Administrative expenses				**(168,480)**
Exchange loss, net				**(6,601)**
Finance costs				**(85,411)**
Profit before tax				**401,951**
Segment assets	**2,604,362**	**2,024,258**	**745,568**	**5,374,188**
Unallocated assets:				
Pledged bank deposits				**1,022,483**
Bank balances and cash				**711,740**
Prepayments, deposits and other receivables				**93,935**
Plant and equipment				**18,326**
Right-of-use assets				**2,946**
Intangible assets				**28,404**
Financial asset at FVTPL				**30,699**
Total consolidated assets				**7,282,721**
Segment liabilities	**2,518,181**	**966,572**	**558,302**	**4,043,055**
Unallocated liabilities:				
Other payables				**309,237**
Amounts due to related companies				**6,412**
Government grants				**1,946**
Tax payables				**14,857**
Borrowings				**1,005,285**
Lease liabilities – non current				**81**
Lease liabilities – current				**3,058**
Total consolidated liabilities				**5,383,931**

For the year ended 31 December 2018

	IT consumer products *HK$'000*	IT corporate products *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue				
External sales	11,053,217	6,976,552	4,068,307	22,098,076
Segment profit	206,900	304,741	11,998	523,639
Other income				46,266
Research and development expenses				(26,012)
Administrative expenses				(123,485)
Exchange loss, net				(8,246)
Finance costs				(54,011)
Profit before tax				358,151
Segment assets	2,816,950	1,798,028	67,385	4,682,363
Unallocated assets:				
Structured bank deposits				672,221
Pledged bank deposits				179,107
Bank balances and cash				334,240
Prepayments, deposits and other receivables				88,100
Plant and equipment				23,809
Intangible assets				35,903
Financial asset at FVTPL				31,386
Total consolidated assets				6,047,129
Segment liabilities	2,058,837	1,018,224	78,150	3,155,211
Unallocated liabilities:				
Other payables				246,875
Amounts due to related companies				6,698
Government grants				2,577
Tax payables				22,061
Borrowings				880,466
Total consolidated liabilities				4,313,888

For the year ended 31 December 2019

	IT consumer products *HK$'000*	IT corporate products *HK$'000*	Others *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:					
Impairment loss on trade receivables, net	**3,195**	**3,771**	**739**	**–**	**7,705**
Allowance (reversal of allowance) for inventories	**2,929**	**6,576**	**(196)**	**–**	**9,309**
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:					
Research and development expenses	**–**	**–**	**–**	**13,509**	**13,509**
Addition to non-current assets	**–**	**–**	**–**	**9,929**	**9,929**
Depreciation	**–**	**–**	**–**	**11,137**	**11,137**
Amortisation	**–**	**–**	**–**	**3,587**	**3,587**
Bank interest income	**–**	**–**	**–**	**(10,700)**	**(10,700)**
Finance costs	**–**	**–**	**–**	**85,411**	**85,411**
Income tax expenses	**–**	**–**	**–**	**112,785**	**112,785**

For the year ended 31 December 2018

	IT consumer products *HK$'000*	IT corporate products *HK$'000*	Others *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:					
Impairment loss on trade receivables, net	8,557	(6,238)	(571)	–	1,748
(Reversal of allowance) allowance for inventories	(34)	10,401	(3,401)	–	6,966
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:					
Research and development expenses	–	–	–	26,012	26,012
Addition to non-current assets	–	–	–	14,547	14,547
Depreciation	–	–	–	3,825	3,825
Amortisation	–	–	–	2,581	2,581
Loss on disposal of plant and equipment	–	–	–	(44)	(44)
Bank interest income	–	–	–	(6,669)	(6,669)
Finance costs	–	–	–	54,011	54,011
Income tax expenses	–	–	–	88,001	88,001

Geographical information

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

	2019 ***HK$'000***	2018 *HK$'000*
Mainland, China	**29,869,634**	21,957,610
Other regions	**130,035**	140,466
	29,999,669	22,098,076

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

	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**1**	1
Mainland, China	**49,675**	59,711
	49,676	59,712

* *Non-current assets excluded financial instruments.*

Information about major customer

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows.

	Year ended	
	2019	2018
	HK$'000	*HK$'000*
Customer A[1]	**3,652,151**	–
Customer B[2]	**3,630,842**	2,642,745

[1] Revenue from IT consumer products and others

[2] Revenue from IT consumer products

6. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest on:		
Bank and other borrowings	**45,160**	28,258
Discounted bills with recourse	**33,875**	19,678
Guarantee fee	**6,070**	6,075
Lease liabilities	**306**	–
	85,411	54,011

7. INCOME TAX EXPENSES

	2019	2018
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax		
– Provision for the year	**–**	4,118
– (Under)/over provision in prior years	**(38)**	869
	(38)	4,987
The PRC Enterprise Income Tax ("EIT")		
– Provision for the year	**108,053**	85,798
– Over/(under) provision in prior years	**4,770**	(2,784)
	112,823	83,014
	112,785	88,001

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 2018 (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, except as disclosed below, the tax rates of subsidiaries in PRC are 25% for both years.

Beijing Changhong IT Intelligence System Co., Ltd operating in the PRC have been accredited as a "High and New Technology Enterprise" by the Ministry of Science and Technology, the PRC and relevant authorities for a term of three years starting 2018, 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 year ended 31 December 2019 and 2018. The qualification as a High and New Technology Enterprise will be subject to review every three years by the relevant tax authorities in the PRC.

The tax charge for the years can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income are as follows:

	2019	2018
	HK$'000	*HK$'000*
Profit before tax	**401,951**	358,151
Tax at the domestic income tax rate of 25% (2018: 25%) (Note)	**100,488**	89,538
Tax effect of income not taxable for tax purpose	**(734)**	(1,602)
Tax effect of expenses not deductible for tax purpose	**1,096**	1,407
Effect of tax exemption and tax concessions	**(143)**	(1,030)
Effect of different tax rate of subsidiaries operating in other jurisdiction	**–**	(2,103)
Tax effect of tax losses not recognised	**2,664**	3,706
Tax effect of deductible temporary differences not recognised	**2,080**	–
Under (over) provision in prior years	**4,732**	(1,915)
Others	**2,602**	–
Income tax expenses	**112,785**	88,001

Note: The domestic tax rate in the jurisdiction where the operations of the Group are substantially based is used.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained earnings of the PRC subsidiaries amounting to HK$1,976,382,000 (2018: HK$2,033,494,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At the end of the reporting period, the Group has unused tax losses of HK$25,480,000 (2018: HK$14,824,000) contributed by continuing operations available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Unrecognised tax losses of approximately HK$15,688,000 (2018: HK$14,824,000) will expire from 2023 to 2024 and approximately HK$9,792,000 (2018: Nil) subject to agreement by Hong Kong Inland Revenue Department, may be earned forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of HK$8,320,000 (2018: Nil). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

8. PROFIT FOR THE YEAR

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

	2019	2018
	HK$'000	*HK$'000*
Depreciation for plant and equipment	**4,150**	3,825
Depreciation for right-of-use assets	**6,987**	–
Amortisation of intangible assets	**3,587**	2,581
Auditor's remuneration	**2,300**	2,300
Directors' emoluments	**13,813**	12,975
Cost of inventories recognised as an expense	**29,040,470**	21,266,681
Staff costs, (including directors' emoluments)		
– Salaries and related staff costs	**237,352**	217,738
– Retirement benefits scheme contributions	**43,854**	39,161
	281,206	256,899
Allowance for inventories, net (included in cost of sales)	**9,309**	6,966
Impairment loss on trade receivables, net	**7,705**	1,748
Research and development expenses (Note)	**13,509**	26,012
Gain on disposal of plant and equipment	**–**	(44)
Written off of software under development	**–**	7,526
Written off of plant and equipment	**5,260**	1,553
Written off of software	**8,572**	–
Short-term lease expenses	**2,257**	–
Minimum lease payments in respect of rented premises	**–**	11,587

Note: Included in the research and development expenses, approximately HK$7,664,000 (2018: HK$14,504,000) are related to staff costs.

9. 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:

	2019	2018
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to owners of the Company	**289,166**	270,150
Less: Earnings attributable to convertible preference shares	**(125,528)**	(117,273)
Earnings for the purpose of basic earnings per share	**163,638**	152,877
Add: Earnings attributable to convertible preference shares	**125,528**	117,273
Earnings for the purpose of diluted earnings per share	**289,166**	270,150

	2019	2018
	'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
Weighted average number of shares for the purpose of diluted earnings per share	**2,570,520**	2,570,520

10. TRADE RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**2,128,128**	1,460,826
Less: Allowance for credit loss	**(40,713)**	(46,873)
Trade receivables	**2,087,415**	1,413,953

As at 1 January 2018, trade receivables from contracts with customers amounted to HK$1,329,885,000.

The following is the aging analysis of trade receivables, net of allowance for credit losses, based on the invoice dates at the end of the reporting periods:

	2019	2018
	HK$'000	*HK$'000*
Within 30 days	**1.180,463**	696,701
31 – 60 days	**427,543**	363,149
61 – 90 days	**238,836**	194,561
91 – 180 days	**129,386**	94,792
181– 365 days	**55,267**	36,714
Over 1 year	**55,920**	28,036
	2,087,415	1,413,953

As at 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$369,386,000 (2018: HK$299,306,000) which are past due but not impaired as at the reporting date. Out of the past due balances, HK$91,344,000 (2018: HK$75,669,000 has been past due 90 days or more and is not considered as in default as there has not been a significant change in credit quality and the amounts are still considered fully recoverable.

The Group allows a credit period ranging from 30 – 180 days to its third party trade customers.

11. TRADE AND BILLS PAYABLES

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

	2019	2018
	HK$'000	*HK$'000*
Within 30 days	**1,769,173**	2,161,954
31 – 60 days	**859,048**	452,173
61 – 90 days	**573,545**	69,695
91 – 180 days	**349,752**	59,938
181 – 365 days	**36,781**	25,086
Over 1 year	**44,853**	39,134
	3,633,152	2,807,980

The credit period on purchase of goods is ranging from 30 – 120 days (2018: 30 – 120 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

12. DIVIDENDS

	2019	2018
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2018 Final – HK$0.03 (2018: 2017 Final – HK$0.03) per share	**77,116**	77,116

The board of directors recommended the payment of a final dividend of HK$0.04 (2018 Final: HK$0.03) per share in respect of the year ended 31 December 2019, amounting to HK$102,820,800, which is subject to the approval by the shareholders in the forthcoming annual general meeting.

CHAIRMAN'S STATEMENT

Dear Shareholders,

In 2019, the business of the Group continued to operate in a prudent manner, along with the growth of global economy.

BUSINESS REVIEW

In 2019, the global economic and trade growth slowed down significantly, the trade situation became tenser, foreign direct investment plummeted, the growth rate of major advanced economies continued to decline, and the downward pressure on emerging economies intensified. In the face of the complex situation where domestic and overseas risks and challenges have obviously risen and the downward pressure on the global economy, China's economy in 2019 generally underwent steadily progress, with economic structure continuously optimized and development quality steadily improved. The innovation and wide penetration of the new generation of information technology represented by cloud computing, big data, Internet of Things and artificial intelligence have constantly stimulated the development vitality of traditional industries while continuously breeding emerging industries. The digital economy presented a sustained and rapid growth trend. In 2019, the Group strengthened its cooperation with key manufacturers to maintain the growth trend of its traditional distribution business; following the business policy of "professional in-depth development and value growth," and the industrial development trend the Group made investment and in-depth engagement in the leading technologies such as big data mining, cloud computing and Internet of Things on the basis of stable development of traditional business and core competence; it strived to build a B2B new distribution e-commerce platform, Jiahua Duola, explore the Internet distribution business model, and build a new distribution ecosystem. The Group achieved good growth in its principal business scale and profitability in 2019.

In 2019, the Group recorded an income of about HK$29,999.67 million, up by 35.76% over the same period of the previous fiscal year; gross margin in 2019 was 3.20%, down by about 0.56 percentage point from the same period of the previous fiscal year, mainly due to the increase in sales contribution of the product line with low gross margin. The profit attributable to shareholders in 2019 was approximately HK$289.17 million, up by about 7.04% over the same period of the previous fiscal year and the basic earnings per share was HK$11.25 cents, up by HK$0.74 cents from HK$10.51 cents in the same period of the previous fiscal year.

The Group continuously consolidated basic management and strengthened informatization construction and business process transformation and optimization so as to improve operation efficiency. The Group continued to reinforce risk management and control, insisted on strict inventory management, credit management and receivable management, reasonably allocate funds, and accelerated fund turnover in a bid to ensure the safety and efficiency of working capital. The Group continued its efforts to tighten expense control, and the distribution and sales expenses increased slightly compared with the same period of last year due to the increase in labor costs; the administrative expenses increased significantly over the same period of last year mainly due to the professional consulting expenses related to application for the transfer of listing and the disposal of intangible assets of LBS business; the financing cost rose compared with the same period of last year due to the increase of financing scale.

As at 31 December 2019, the turnover and profits of the three operating segments of the Company were analyzed as follows (RMB exchange rate fluctuations may affect the number/percentage of segments):

IT consumer product distribution business: Expanded the cooperation with core manufacturers in width and depth and strictly controlled operational risk to guarantee stable market share and turnover efficiency; at the same time, vigorously expanded consumer intelligent terminal products and enhanced professional marketing capabilities. The business's turnover increased by 10.88% to HK$12,255.50 million over the same period of last year, and its profit increased by 22.74% to HK$253.94 million.

IT enterprise product distribution business: Introduced new products in forefront technology fields such as cloud computing, big data and Internet of Things, and made substantial progress in the transformation and upgrade business such as big data solutions and Internet of Things solutions. The business's turnover increased by 16.10% to HK$8,099.73 million over the same period of last year, and its profit increased by 5.91% to HK$322.74 million.

Other businesses: Due to booming sales of smartphones via e-commerce channels, the business's turnover big increased by 137.06% over the same period of last year to HK$9,644.44 million; the profit from the business has risen sharply by 288.07% to HK$46.56 million.

The Company has successfully transferred its listing from GEM to the Main Board of the Stock Exchange on 18 March 2020 (the "Transfer of Listing). A listing status of the Company on the Main Board is generally perceived to enjoy a premier status amongst investors, which will help strengthen the recognition of the Group among both the existing Shareholders as well as the potential investors, resulting in a broader investor base and higher trading liquidity of the Shares. Further, facilitated by the enhanced status of the Group, it is believed that the Transfer of Listing will help reinforce the confidence of the Group's customers, suppliers and other stakeholders in the Company's financial strength, governance and credibility and will hence further promote the Company's corporate profile and recognition among public investors and the public in general. This will in turn further strengthen the Group's position in the industry and improve the Group's competitiveness in retaining its current employees, recruiting more talents and attracting new customers and suppliers which may ultimately help foster the business development of the Group and enhance return to the Shareholders in the long run.

OUTLOOK

Looking into the year 2020, the outbreak and rapid spread of the Coronavirus Disease 2019 epidemic (the "COVID-19 epidemic") will exert influences to varying degree on the economy of a multiple of countries, and the global economy will face greater risk of slowdown. China has made overall plans to promote the prevention and control of COVID-19 epidemic and the social and economic development. The outbreak of COVID-19 epidemic has created a short-term impact on China's economy, but remains controllable in general; the basic trend of long-term economic growth remains positive. With big data, cloud computing, Internet of Things, artificial intelligence and other new generation of information technology as the core, the new round of global scientific and technological revolution and industrial transformation is accelerating its evolution. The outbreak of COVID-19 epidemic will trigger a new round of digital upsurge in China and accelerate the commercialization of the new generation of information technology. The Group will closely monitor the impact of COVID-19 epidemic situation on its business and take active actions to cope with the challenge of COVID-19 epidemic. Meanwhile, the Group will pay close attention to the impact on the business by the outbreak of Covid-19, and actively respond to the challenges. In 2020, the Group will continue to promote the strategic upgrading of itself to become an IT integrated service providers, and push forward the business strategy of "full-channel, professionalism, new distribution and development of good partners". Following the operating policy of "Gathering strength on network, cloud and intelligence to serve its partners", the Group will make new contributions to partners and shareholders by focusing on four ecologies and one field, continuing to improve the layout in the ecosystem of such areas as cloud computing, big data, virtual technology and interconnection of all things, grasping the new opportunities in the field of intelligent terminals for edge computing and committing itself to a connector between manufacturers and channel partners.

ZHAO Yong
Chairman

30 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL SUMMARY

- Revenue for the year ended 31 December 2019 was approximately HK$29,999.67 million (2018: HK$22,098.08 million), representing a increase of 35.76% as compared with the previous year. This increase was mainly attributable to the expansion of the e-commerce sales business and the growth of IT corporate products sales.

- Profit for the year ended 31 December 2019 was approximately HK$289.17 million (2018: HK$270.15 million), representing a increase of 7.04% as compared with the previous year. This increase was mainly attributable to the increase in revenue and the improvement of operational efficiency as a result of the Group's further control over its operational costs.

- Total comprehensive income for the year ended 31 December 2019 was approximately HK$242.67 million (2018: HK$174.11 million). This increase was mainly attributable to the Fluctuations in the RMB exchange rate.

LIQUIDITY AND FINANCIAL RESOURCES

For the year ended 31 December 2019, the Group's financial and liquidity positions remained healthy and stable. As at 31 December 2019, the aggregate outstanding borrowings of the Group were approximately HK$1,005.29 million (2018: HK$880.47 million), which were 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$1,734.22 million (2018: HK$513.35 million), together with trade and bills receivables amounting to approximately HK$2,468.44 million (2018: HK$1,687.17 million). For the year ended 31 December 2019, the Group's net current assets amounted to approximately HK$1,820.44 million (2018: HK$1,644.72 million) and the Group did not have any charges on its fixed assets (2018: Nil). The net gearing ratio (total net debt/total shareholders' equity) of the Group as at 31 December 2019 was 2.83 times (2018: 2.49 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.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2019, the total number of the Group's staff was 1,043 (2018: 1,038 staff). For the year ended 31 December 2019, total staff costs (including Directors) amounted to approximately HK$281.21 million (2018: HK$256.90 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 2019, there were no outstanding share options adopted by the Company granted or exercised.

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 AFTER THE END OF THE FINANCIAL YEAR

THE DISPOSAL OF PARTIAL SHARES BY THE CONTROLLING SHAREHOLDER

On 14 January 2020, the Company was informed by Sichuan Changhong that it has entered into sale and purchase agreements with no less than 100 investors (the "Purchaser(s)") respectively and completed the disposal of 60,000,000 ordinary shares of the Company (the "Shares") at the price of HK$0.72 per share. Immediately following the completion of the Disposal, the issued ordinary shares of the Company held by Sichuan Changhong together with its parties acting in concert were reduced from 1,008,368,000 shares to 948,368,000 shares, representing a decrease of the percentage of issued ordinary shares of the Company held by them as at 14 January 2020 from approximately 69.32% to approximately 65.20%, while they still remain as the controlling shareholders of the Company. Therefore, immediately following the completion of the Disposal, the percentage of public float of the Company was increased from approximately 25.01% to approximately 29.14%. For further details, please refer to the announcements of the Company dated 18 December 2019 and 14 January 2020.

TRANSFER OF LISTING

On 18 March 2020, the Company has successfully transferred its listing from GEM to the Main Board of the Stock Exchange.

IMPACT OF THE COVID-19 EPIDEMIC

As of the date of this announcement, the COVID-19 epidemic, which was first discovered in Wuhan since December 2019, has affected all provinces in China to varying degrees. The Chinese government has adopted a number of severe measures to curb the spread of the COVID-19 epidemic, such as temporarily stopping the migration of people in Wuhan and other cities in Hubei Province, restricting all modes of transportation in Wuhan and other cities in Hubei Province, and implementing 14 days forced quarantine for people from Wuhan and other provinces with a large infected population to other parts of China. As of the date of this announcement, companies have gradually resumed operations in many parts of mainland China, but there are still some industries that cannot operated as usual, especially the service industry. Various offline stores have gradually resumed normal operations, but retail industry may not record revenue, which will affect the entire value chain. However, given the limited services provided by offline channels, services by online retail channels are expected to show an increasing trend.

Affected by the COVID-19 epidemic and the implementation of related government policies, the post-holiday resumption dates of some offices of the Group were postponed to February 10, 2020, and some were postponed to February 17, 2020. The Group also arranged certain employees to work from home. After the resumption of work, the Group strengthened its hygiene measures, such as ensuring regular disinfection of the office, requiring employees to wear masks at the offices all the time, and asking employees to do daily health checks. Since the outbreak of the COVID-19 epidemic up to the date of this announcement, no staff of the Group has been diagnosed with COVID-19 or delayed any work as a result.

The Group's business operations, customers and suppliers are scattered in different regions of China, rather than concentrated in Hubei Province. The Group believes that the COVID-19 epidemic will not have a significant impact on the Group's operations.

Since the outbreak of the COVID-19 epidemic up to the date of this announcement, there has been no major disruption in the Group's procurement or delivery of products by its suppliers and delivery of products to customers. In view of the full-scale resumption of work nationwide, the Group remains optimistic about the operations of the supply chain and distribution logistics.

However, as the COVID-19 epidemic is currently spreading fast in Europe and North America, it may have a profound impact on the global economy and supply chain. The Group will continue to pay attention to the impact of the COVID-19 epidemic on the Group's business and take active action to meet the challenges arising due to the COVID-19 epidemic.

Save as disclosed above, there were no significant events occurred that might affect the Group after 31 December 2019.

FINAL DIVIDEND

The Board recommended the payment of final dividend of HK$0.04 per Share in respect of the year ended 31 December 2019 (2018: 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 Friday, 19 June 2020 to all Shareholders whose name appear on the register of members of the Company at the close of business on Wednesday, 3 June 2020 and is subject to approval by the Shareholders at the forthcoming annual general meeting of the Company (the "AGM").

CLOSURE OF REGISTER OF MEMBERS FOR THE AGM

The AGM is scheduled to be held on Friday, 22 May 2020. The Company's register of members will be closed from Tuesday, 19 May 2020 to Friday, 22 May 2020, 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, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 18 May 2020.

CLOSURE OF REGISTER OF MEMBERS FOR THE PROPOSED FINAL DIVIDEND

The Company's register of members will be closed from Monday, 1 June 2020 to Wednesday, 3 June 2020, both days inclusive, for the purpose of determining the entitlements of the Shareholders to the proposed final dividend of HK$0.04 per Share for the year ended 31 December 2019, 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 Friday, 29 May 2020. The proposed final dividend will be paid to Shareholders whose names appear on the register of members of the Company on Wednesday, 3 June 2020.

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

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") or Appendix 14 to the Rules Governing the Listing of Securities on (Main Board of) The Stock Exchange of Hong Kong Limited (the "Listing Rules")* which sets out corporate governance principles and code provisions (the "Code Provisions"). Throughout the year ended 31 December 2019, the Company has complied with all the Code Provisions as set out under the CG Code, except the following deviation:

Mr. YANG Jun and Mr. LUO Yongping are not appointed for a specific term as required under code provision A.4.1 of the CG Code, but are subject to retirement by rotation at least once every three years in accordance with the Company's Bye-laws (the "Bye-laws"). The Company considers that such requirement is sufficient to meet the same objective as a specific term of appointment under the CG Code.

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 as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct for securities transactions (the "Code of Conduct") before the Transfer of Listing. 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 throughout the year ended 31 December 2019.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' dealings in securities of the Company after the Transfer of Listing.

REVIEW OF ANNUAL RESULTS

The annual results for the year ended 31 December 2019 have been reviewed and agreed by the audit committee of the Company.

* *The GEM Listing Rules was applicable to the Company prior to the Transfer of Listing. Immediately after the Transfer of Listing, the Listing Rules shall be applicable to the Company.*

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND 2019 ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.changhongit.com.hk). The 2019 annual report will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in April 2020.

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

Hong Kong, 30 March 2020

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.