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

(Incorporated in Bermuda with limited liability)

(Stock Code: 3991)

POSITIVE PROFIT ALERT

This announcement is made by Changhong Jiahua Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and Rule 13.09 of the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The board of directors (the “**Board**”) of the Company wishes to inform the shareholders and potential investors of the Company that, based on the preliminary review of the Group’s unaudited consolidated management accounts for the year ended 31 December 2020 (the “**Year**”), the Group is expected to record a significant increase in its revenue and profit attributable to owners of the Company for the Year, and the revenue for the Year is expected to increase by approximately 34% as compared to the revenue of the Group of approximately HK\$29,999,669,000 for the year ended 31 December 2019, and the profit attributable to owners of the Company for the Year is expected to increase by approximately 19% as compared to the profit attributable to owners of the Company of approximately HK\$289,166,000 for the year ended 31 December 2019.

The above increase in revenue for the Year is mainly due to the increase in distribution categories and the expansion of the sales scale of some existing distribution categories, and the increase in profit for the Year is mainly due to (i) the substantial increase in the Group’s revenue for the Year; (ii) the reduction in corporate income tax rates for certain subsidiaries for the Year and the income tax expense of the Group decreased by approximately 37% as compared with the year ended 31 December 2019; and (iii) the project investment income distribution received from Sichuan Hongyun New Generation Information Technology Venture Capital Fund Partnership (Limited Partnership) during the Year, which expected to increase the profit attributable to owners of the Company for the Year by approximately HK\$16,600,000.

Meanwhile, some technologies related to location-based service products of the Group's subsidiaries were no longer used in production, and the relevant intangible assets were expected to be unable to continue to create value for the Group, which no longer met the recognition conditions of intangible assets in applicable accounting standards of the Group. Accordingly, the Group has written off the relevant intangible assets during the Year, with a total amount of approximately HK\$17,100,000, which expected to reduce the profit attributable to owners of the Company for the Year by approximately HK\$13,200,000.

The information contained in this announcement is only based on the preliminary assessment made by the Board with reference to the unaudited consolidated management accounts of the Group for the Year and other information currently available and such information has not been audited or reviewed by the auditor of the Company. Actual financial results of the Group for the Year may be different from what is disclosed in this announcement. Further details on the financial results for the Year will be disclosed in March 2021 when the Company publishes its annual results for the Year.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 28 January 2021

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.