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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Main Board of the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the "Directors") of Changhong Jiahua Holdings Limited (the "Company", and collectively with its subsidiaries, the "Group") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

The Group's unaudited consolidated revenue for the nine months ended 30 September 2018 increased by approximately 5.97% to HK$15,994.81 million comparing with that for the same period in 2017. The Group achieved net profit of approximately HK$213.49 million for the nine months ended 30 September 2018, representing an increase of approximately 17.51% comparing with that for the same period in 2017.

RESULTS

The board of directors (the "Board") of the Company is pleased to announce the unaudited results of the Group for the three months and nine months ended 30 September 2018, together with the comparative figures for the corresponding periods of 2017, as follows:–

Consolidated Statement of Comprehensive Income

For the three months and nine months ended 30 September 2018

		For the three months ended 30 September		For the nine months ended 30 September	
		2018	2017	**2018**	2017
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Revenue	*2*	**5,728,158**	5,531,834	**15,994,807**	15,093,914
Cost of sales		**(5,513,176)**	(5,341,678)	**(15,374,997)**	(14,539,554)
Gross profit		**214,982**	190,156	**619,810**	554,360
Other income		**16,538**	5,972	**26,663**	8,391
Administrative expenses		**(50,596)**	(37,377)	**(123,406)**	(99,687)
Distribution and selling expenses		**(67,129)**	(62,874)	**(194,437)**	(191,405)
Finance cost		**(13,399)**	(12,623)	**(35,898)**	(31,182)
Profit from operation		**100,396**	83,254	**292,732**	240,477
Income tax expense	*4*	**(23,053)**	(21,874)	**(79,241)**	(58,795)
Profit for the period		**77,343**	61,380	**213,491**	181,682
Profit for the period attributed to owners of the Company		**77,343**	61,380	**213,491**	181,682
Earnings per share					
Basic and diluted *(HK cents)*	*5*	**3.01**	2.39	**8.31**	7.07

NOTES:

For the nine months ended 30 September 2018

1. BASIS OF PREPARATION

The unaudited quarterly financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, these financial statements include applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance (Cap. 622).

The unaudited consolidated results for the nine months ended 30 September 2018 have not been reviewed or audited by the external auditors of the Company but have been reviewed by the audit committee of the Company.

The accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated results are consistent with those used in the Company's annual financial statements for the year ended 31 December 2017, except for the new amendments to HKFRSs issued by the HKICPA that the Group has applied, for the first time, for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

1.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the latest interim period. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

1.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

In the current period, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

1.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Equity instrument designated as at fair value through other comprehensive income ("FVTOCI")

At the date of initial application, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in reserve; and are not subject to impairment assessment.

1.2.2 Summary of effects arising from initial application of HKFRS 9

The Group elected to present in OCI for the fair value changes of its equity investment previously classified as available-for-sale investments, which related to unquoted equity investments previously measured at cost less impairment under HKAS 39. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, HK$21,384,000 were reclassified from available-for-sale investments to equity instruments at FVTOCI, which related to unquoted equity investments previously measured at cost less impairment under HKAS 39.

The application of the other new amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

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

Comparative figures

Certain comparative figures have been reclassified to conform to the current period's presentation. The Directors considered that the reclassification would result in more appropriate manner to reflect the core business of the Group. These reclassifications have no impact on the Group's total equity as at 30 September 2017 or the Group's profit or loss for the three months and nine months ended 30 September 2017.

2. REVENUE

The principal activities of the Group are the provision of professional integrated information technology ("IT") solutions and services, and distribution of IT corporate products, digital products, own brand products and related parts and components.

Revenue represents net amount received and receivable for the sales of different types of IT products, self developed products, provision of professional integrated IT solutions and services net of corresponding sales related taxes and rebate. The amounts of each significant category of revenue recognised in revenue for the nine months ended 30 September 2018 and 2017 are as follows:

	For the nine months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
IT Consumer Products	**8,382,021**	8,075,555
IT Corporate Products	**5,031,910**	3,862,798
Others	**2,580,876**	3,155,561
	15,994,807	15,093,914

3. SEGMENT INFORMATION

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

The Group's reportable and operating segments under HKFRS 8 are as follows:

(a) IT Consumer Products – distribution of IT consumer products which include mainly personal computers ("PC"), digital products and IT accessories.

(b) IT Corporate Products – distribution of IT corporate products which mainly include storage products, minicomputers, networking products, personal computer servers, intelligent building management system ("IBMS") products and unified communication and contact centre ("UC & CC") products.

(c) Others – distribution of smartphones and development of its own brand products. The own brand products include but not limited to mobile location-based service ("LBS") products and provision of professional integrated IT solutions and services.

Segment profit represents the profit earned by each segment without allocation of other income, finance costs as well as unallocated head office and corporate expenses. The measure reported to the CODM for the purposes of resource allocation and performance assessment.

The following is an analysis of the Group's revenue and results by reportable and operating segment for the nine months ended 30 September 2018 and 2017:

	For the nine months ended 30 September 2018			
	IT Consumer Products *HK$'000* **(Unaudited)**	**IT Corporate Products** *HK$'000* **(Unaudited)**	**Others** *HK$'000* **(Unaudited)**	**Total** *HK$'000* **(Unaudited)**
Revenue				
External sales	**8,382,021**	**5,031,910**	**2,580,876**	**15,994,807**
Segment profit	**179,728**	**224,856**	**10,062**	**414,646**
Other income				**26,663**
Finance costs				**(35,898)**
Unallocated head office and corporate expenses				**(112,679)**
Profit before tax				**292,732**

	For the nine months ended 30 September 2017			
	IT Consumer Products	IT Corporate Products	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue				
External sales	8,075,555	3,862,798	3,155,561	15,093,914
Segment profit	152,485	174,448	19,309	346,242
Other income				8,391
Finance costs				(31,182)
Unallocated head office and corporate expenses				(82,974)
Profit before tax				240,477

Geographical information

The following provides an analysis of the Group's sales by geographical market for the nine months ended 30 September 2018 and 2017, based on the origin of the goods:

	For the nine months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Mainland, China	**15,884,396**	15,050,862
Other regions	**110,411**	43,052
	15,994,807	15,093,914

4. INCOME TAX EXPENSE

Taxes on profit assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislations, interpretations and practices in respect thereof.

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 the nine months ended 30 September 2018 and 2017.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rates of the Company's PRC subsidiaries is 25% for the nine months ended 30 September 2018 and 2017.

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

5. EARNINGS PER SHARE

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

	For the three months ended 30 September		**For the nine months ended 30 September**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Earnings				
Profit for the period attributable to owners of the Company	**77,343**	61,380	**213,491**	181,682

	2018	2017	**2018**	2017
	'000	*'000*	***'000***	*'000*
Number of Share				
Weighted average number of ordinary shares and convertible preference shares for the purpose of basic and diluted earnings per share	**2,570,520**	2,570,520	**2,570,520**	2,570,520

As there were no diluted shares during the three months and the nine months ended 30 September 2018 and 2017, the diluted earnings per share was same as basic earnings per share.

6. RESERVES

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

DIVIDEND

The Directors do not recommend the payment of any dividend for the nine months ended 30 September 2018 (2017: Nil).

The payment of a final dividend of HK$0.03 per share for the year ended 31 December 2017 has been resolved at the annual general meeting of the Company held on 18 May 2018. The date of payment was on 7 June 2018.

BUSINESS REVIEW

The global economic environment changed dramatically during 2018, which imposed more uncertainties on the economic development of the PRC. Under the operation policy of "expanding omni-channel, being professional, developing new distribution and being a partner to help customer grow", the Group constantly promoted the research and development and construction of new internet distribution platform, and optimised online operation system and offline channel system; explored channel resources and industrial demands to deepen the industrial application and expansion of big data and AI solutions; and enhanced the accumulation on cloud resources and specialised service capabilities to promote the industrial "cloud business" solutions and specialised service business.

The Group recorded revenue of HK$15,994.81 million for the first three quarters of 2018, representing an increase of 5.97% as compared to the corresponding period of the last financial year. The overall gross profit margin was 3.88% for the first three quarters of 2018, representing an increase of 0.21 percentage point as compared to the corresponding period of the last financial year. For the first three quarters of 2018, profit attributable to shareholders amounted to approximately HK$213.49 million, representing an increase of 17.51% as compared to the corresponding period of the last financial year, and basic earnings per share amounted to HK8.31 cents, representing an increase of approximately HK1.24 cents as compared with HK7.07 cents in the corresponding period of the last financial year.

The Group continues to strengthen informatization development and business process transformation and optimization to continuously improve operation management efficiency. It continues to adhere to strict credit management and accounts receivable management. Due to the expansion of e-commerce sales and the increase in sales of IT corporate products, both of which have longer accounts receivable collection period, the payment collection slowed down for the first three quarters of 2018, and the turnover of accounts receivable slowed down slightly compared with the same period of the last financial year. In the first three quarters of 2018, the Group conducted strong cost control. Distribution and selling expenses and administrative expenses remained stable as compared to that in the same period of last year, while research and development expenses increased significantly as compared to the same period of last year as more technical staff were hired and more investment was made and the finance cost increased as compared to the same period of last year for the reason of exchange losses.

The analysis of the turnover and profit of the three operating segments of the Group for the nine months ended 30 September 2018 is as follows (the fluctuation of exchange rate of Renminbi might affect the amount/percentage of the segment):

IT consumer products distribution business: Cooperated with core manufacturers to promote sales and maintain stable market position; advanced new business cooperation and channel expansion rapidly and recorded stable increase in the sales of new product lines; the turnover of this segment increased by 3.79% to HK$8,382.02 million as compared to the same period of last year, and the profit increased by 17.87% to HK$179.73 million as compared to the same period of last year.

IT corporate products distribution business: By Actively expanding industry solutions and related services that are based on cloud computing, big data and artificial intelligence technologies to satisfy the needs of the customers, all product lines of this business segment achieved overall growth in sales volume and revenue. Its turnover rose by 30.27% to HK$5,031.91 million as compared to the same period of last year, and its profit increased by 28.90% to HK$224.86 million.

Other businesses: Smart phones sales continued to decline, as a result, the business segment's turnover fell to HK$2,580.88 million, representing a decrease of 18.21% over the same period of last year and its profit fell by 47.89% to HK$10.06 million due to the combination of the falling sales of smart phones and the loss from clearing LBS product inventories.

OUTLOOK

Looking forward, the PRC's overall economy shall remain stable and continue to seek progress while maintaining stability despite the increasing external and internal pressure. The Group will stick to the operation policy of "expanding omni-channel, being professional, developing new distribution and being a partner to help customer grow", use internet technology to integrate on-line and off-line resources and create an innovative internet distribution platform and operation system. Oriented to the demand of upstream and downstream customers, the enterprise-level business will exploit channel resources and enhance technologies and industrial solution capabilities, strengthen the industry penetration and landing capability of cloud service so as to empower partners and create new value for shareholders.

EVENTS AFTER THE REPORTING PERIOD

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

To the best knowledge of the Board, the Company had complied with the Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules throughout the nine months ended 30 September 2018.

AUDIT COMMITTEE

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

The primary responsibilities of the audit committee of the Company (the "Audit Committee") are to review and supervise the financial reporting process and internal control system of the Group. The members of the Audit Committee are Mr. Jonathan Chan Ming Sun (Chairman), Mr. Robert Ip Chun Chung, Mr. Sun Dongfeng and Mr. Cheng Yuk Kin.

The financial information in this report has not been reviewed or audited by the external auditor of the Company but the Audit Committee has reviewed the Group's results for the nine months ended 30 September 2018.

REMUNERATION COMMITTEE

The primary responsibilities of the remuneration committee of the Company (the “Remuneration Committee”) are to review and make recommendation for the remuneration policy of the directors and senior management. The members of the Remuneration Committee are Mr. Jonathan Chan Ming Sun (Chairman), Mr. Robert Ip Chun Chung, Mr. Sun Dongfeng and Mr. Zhu Jianqiu.

NOMINATION COMMITTEE

The primary responsibilities of the nomination committee of the Company (the “Nomination Committee”) are to formulate nomination policy and make recommendation to the Board on nomination and appointment of directors and board succession. The members of the Nomination Committee are Mr. Zhao Yong (Chairman), Mr. Robert Ip Chun Chung, Mr. Sun Dongfeng and Mr. Jonathan Chan Ming Sun.

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

During the nine months ended 30 September 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVE

As at 30 September 2018, the interests or short positions of the Directors and chief executive of the Company in the ordinary shares of the Company (the “Shares”), underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the “SFO”)) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

(i) Interests in Shares

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

Note:

1. (L) represents long position.

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

Save as disclosed in this paragraph, as at 30 September 2018, none of the Directors or chief executive 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 nine months ended 30 September 2018 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate. As at the date of this report, the Company has not granted any share options to the Directors.

INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS IN THE COMPANY

So far as was known to the Directors, as at 30 September 2018, the persons or companies (not being a Director or chief executive of the Company) whose interests or short positions in the Shares or underlying Shares or debentures of the Company which would fall to be disclosed or were notified to the Company and the Stock Exchange pursuant to the positions under Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO or who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

Long positions in Shares

Name of substantial shareholder	Capacity	Class of shares	Number of shares held *(Note 1)*	Approximate percentage of interest in relevant class of shares *(Note 2)*
Sichuan Changhong Electric Co., Limited ("Sichuan Changhong")	Interests of controlled corporation and beneficial owner	Ordinary Preference	1,008,368,000 (L) *(Note 3)* 1,115,868,000 (L) *(Note 4)*	69.32% 100.00%
Changhong (Hong Kong) Trading Limited ("Changhong Hong Kong")	Interests of controlled corporation and beneficial owner	Ordinary Preference	913,000,000 (L) *(Note 5)* 1,115,868,000 (L) *(Note 4)*	62.76% 100.00%
Fit Generation Holding Limited ("Fit Generation")	Beneficial owner	Ordinary Preference	897,000,000 (L) 1,115,868,000 (L)	61.66% 100.00%
Sichuan Investment Management Company Limited ("Sichuan Investment Management") *(Note 6)*	Beneficial owner	Ordinary	83,009,340 (L)	5.70%
Sichuan Provisional Investment Group Company Limited ("Sichuan Investment") *(Note 6)*	Interests of controlled corporation	Ordinary	83,009,340 (L)	5.70%
Typical Faith Limited *(Note 7)*	Beneficial owner	Ordinary	82,415,762 (L)	5.67%

Notes:

1. (L) represents long position.

2. The percentages are calculated based on the total number of Shares and preference shares of the Company in issue as at 30 September 2018, which were 1,454,652,000 and 1,115,868,000, respectively.

3. 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.

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

5. 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 Hong Kong, Changhong Hong Kong is deemed to be interested in the Shares held by Fit Generation for the purpose of the SFO.

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

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

Save as disclosed above, as at 30 September 2018, the Directors were not aware of any other person who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 5% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

DIRECTOR'S AND CONTROLLING SHAREHOLDER'S INTEREST IN 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 section, none of the Directors or the controlling shareholders of the Company or any of their respective close associates (as defined in the GEM Listing Rules) had any business or interest in a business which competes or may compete with the business of the Group and any other conflicts of interest which any person has or may have with the Group during the nine months ended 30 September 2018.

INTEREST OF THE COMPLIANCE ADVISER

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

DIRECTORS' SECURITIES TRANSACTION

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its code of conduct regarding Directors' transactions in securities of the Company (the "Code of Conduct"). Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standards of dealings and the Code of Conduct throughout the nine months ended 30 September 2018.

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

Hong Kong, 19 October 2018

As at the date of this report, the 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 are Mr. Jonathan Chan Ming Sun, Mr. Robert Ip Chun Chung, Mr. Sun Dongfeng and Mr. Cheng Yuk Kin.

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