CHANGHONG IT

Changhong Jiahua Holdings Limited
（長 虹 佳 華 控 股 有 限 公 司）

(Incorporated in Bermuda with limited liability)

(Stock Code: 8016)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016 AND RESUMPTION OF TRADING

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, 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.

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 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

		2016	2015
	NOTES	***HK$'000***	*HK$'000*
Continuing operations			
Revenue	*3*	**19,063,248**	19,839,112
Cost of sales		**(18,306,118)**	(19,030,068)
Gross profit		**757,130**	809,044
Other income	*4*	**28,452**	20,566
Distribution and selling expenses		**(284,624)**	(318,064)
Research and development expenses		**(14,314)**	(17,451)
Administrative expenses		**(114,679)**	(133,180)
Finance costs	*6*	**(41,017)**	(52,428)
Bad debts and impairment loss on trade receivables, net		**(14,344)**	(9,737)
Exchange loss, net		**(6,438)**	(28,428)
Profit before tax		**310,166**	270,322
Income tax expenses	*7*	**(85,402)**	(71,605)
Profit for the year from continuing operations	*8*	**224,764**	198,717
Discontinued operation			
Profit (loss) for the year from discontinued operation		**8,007**	(66,968)
Profit for the year		**232,771**	131,749

	NOTE	**2016** HK$'000	2015 HK$'000
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising from translation of foreign operations		**(98,397)**	(74,801)
Total comprehensive income for the year		**134,374**	56,948
Profit (loss) for the year attributable to owners of the Company:			
– from continuing operations		**224,764**	198,717
– from discontinued operation		**8,007**	(66,968)
		232,771	131,749
Total comprehensive income (expense) attributable to owners of the Company:			
– from continuing operations		**126,367**	123,916
– from discontinued operation		**8,007**	(66,968)
		134,374	56,948
Earnings per share	*9*		
From continuing and discontinued operations			
Basic and diluted (HK cents)		**9.06**	5.13
From continuing operations			
Basic and diluted (HK cents)		**8.74**	7.73

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000
Non-current assets			
Plant and equipment		**30,350**	25,287
Available-for-sale investment		**9,223**	9,849
		39,573	35,136
Current assets			
Inventories		**1,318,904**	1,613,065
Trade and bills receivables	*10*	**1,400,826**	1,455,280
Prepayments, deposits and other receivables		**51,171**	26,565
Amounts due from related companies		**17,930**	9,953
Trade deposits paid		**675,125**	775,599
Pledged bank deposits		**54,122**	107,646
Bank balances and cash		**253,282**	150,970
		3,771,360	4,139,078
Assets classified as held for sale	*12*	**–**	2,150
		3,771,360	4,141,228
Current liabilities			
Trade and bills payables	*11*	**1,607,015**	1,995,326
Other payables		**238,110**	140,771
Tax payables		**23,830**	7,460
Borrowings		**315,073**	524,925
Amounts due to related companies		**13,912**	8,929
Customer deposits		**249,524**	193,621
Government grants		**–**	11,585
		2,447,464	2,882,617
Liabilities associated with assets classified as held for sale	*12*	**–**	14,801
		2,447,464	2,897,418
Net current assets		**1,323,896**	1,243,810

	2016	2015
	HK$'000	*HK$'000*
Total assets less current liabilities	**1,363,469**	1,278,946
Non-current liability		
Government grants	**6,284**	4,725
Net assets	**1,357,185**	1,274,221
Capital and reserves		
Share capital	**36,366**	36,366
Convertible preference shares	**27,897**	27,897
Reserves	**1,292,922**	1,209,958
Total equity	**1,357,185**	1,274,221

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Share capital	Convertible preference share	Share premium	Statutory reserve	Merger reserve	Translation reserve	Other reserve	Contributed surplus	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Note i)	*(Note ii)*		*(Note iii)*	*(Note iv)*		
At 1 January 2015	36,366	27,897	2,095,051	45,163	(1,248,106)	37,730	(203,432)	–	478,014	1,268,683
Profit for the year	–	–	–	–	–	–	–	–	131,749	131,749
Exchange differences arising on translation	–	–	–	–	–	(74,801)	–	–	–	(74,801)
Total comprehensive (expenses) income for the year	–	–	–	–	–	(74,801)	–	–	131,749	56,948
Appropriation to statutory reserve	–	–	–	4,372	–	–	–	–	(4,372)	–
Conversion of share premium to contributed surplus	–	–	(2,095,051)	–	–	–	–	2,095,051	–	–
Dividends recognised as distribution	–	–	–	–	–	–	–	(51,410)	–	(51,410)
At 31 December 2015 and 1 January 2016	**36,366**	**27,897**	**–**	**49,535**	**(1,248,106)**	**(37,071)**	**(203,432)**	**2,043,641**	**605,391**	**1,274,221**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**232,771**	**232,771**
Exchange differences arising on translation	**–**	**–**	**–**	**–**	**–**	**(98,397)**	**–**	**–**	**–**	**(98,397)**
Total comprehensive (expenses) income for the year	**–**	**–**	**–**	**–**	**–**	**(98,397)**	**–**	**–**	**232,771**	**134,374**
Appropriation to statutory reserve	**–**	**–**	**–**	**7,185**	**–**	**–**	**–**	**–**	**(7,185)**	**–**
Dividends recognised as distribution	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(51,410)**	**–**	**(51,410)**
At 31 December 2016	**36,366**	**27,897**	**–**	**56,720**	**(1,248,106)**	**(135,468)**	**(203,432)**	**1,992,231**	**830,977**	**1,357,185**

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 at the first date 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:

1. GENERAL

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

The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business is Unit 1502, 15/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong. The Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

Sichuan Changhong Electronic Co., Limited ("Sichuan Changhong"), a company incorporated in the PRC with its shares listed on Shanghai Stock Exchange, has obtained the control over the board of directors of the Company since 2012. In the opinion of the directors of the Company, the immediate and ultimate holding company of the Company is Sichuan Changhong as at 31 December 2016.

The Company is an investment holding company.

Subsequent to the completion of disposal of Changhong Overseas Development Limited ("CHOD"), an indirect wholly owned subsidiary of the Company, on 21 December 2016, the directors of the Company re-assessed the functional currency of the Company and considered the Company's major assets and its respective risks and rewards are primarily located in the PRC. As a result, the directors of the Company determined to change the functional currency from United States dollars to Renminbi ("RMB") with effect from 21 December 2016. The change of functional currency is applied prospectively from the date of change in accordance with HKAS 21 The Effect of Changes in Foreign Exchange Rates.

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle

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

New and amendments to HKFRSs issued 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:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Lease[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
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 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to HKFRSs	Annual Improvement to HKFRSs 2014-2016 Cycle[5]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[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 2017
[5] Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

HKFRS 9 Financial instrument

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at Fair Value Through Other Comprehensive Income ("FVTOCI"). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2016, application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at costs impairment, will either be measured at fair value through profit or loss or be designated as FVTOCI. In addition, the expected credit loss model may result in early provision of credit loss which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in respective reporting periods.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of approximately HK$11,377,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

Except for described as above, the directors of the Company do not anticipate that the application of other new and amendments to HKFRSs will have a material effect on the Group's consolidated financial statements.

3. REVENUE

Continuing operations

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

Revenue represents net amount received and receivable for the sale of different types of IT products, self-developed products, provision of professional integrated IT solutions and services net of corresponding sales related taxes and rebate. The amounts of each significant category of revenue recognised in revenue for the year from continuing operations are as follows:

	2016	2015
	HK$'000	*HK$'000*
IT Consumer Products	**9,803,344**	13,343,465
IT Corporate Products	**4,972,014**	4,812,319
Others	**4,287,890**	1,683,328
	19,063,248	19,839,112

4. OTHER INCOME

	2016	2015
	HK$'000	*HK$'000*
Continuing operations		
Bank interest income	**2,513**	10,864
Government grants	**23,845**	5,028
Others	**2,094**	4,674
	28,452	20,566

5. SEGMENT INFORMATION

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

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

Continuing operations:

1. IT Consumer Products – distribution of IT consumer products which include mainly personal computers, digital products and IT accessories.

2. IT Corporate Products – distribution of IT corporate products which include mainly storage products, minicomputers, networking products, personal computer servers, intelligent building management system products and unified communication and contact centre products.

3. Others – distribution of smartphones and development of its own brand products including but not limited to mobile location-based service products and provision of professional integrated IT solutions and services.

Discontinued operation:

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

The accounting policies of the 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, finance costs as well as unallocated head office and corporate expenses. Certain expenses in the segment information for the year ended 31 December 2015 have been reclassified due to the internal change of presentation reported to CODM during the current year. 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, prepayment, deposits and other receivables for general operation, tax recoverable, pledged bank deposits, bank balances and cash and available-for-sale investment. Segment liabilities do not include other payables for general operation, tax payables, amounts due to related companies, government grants and borrowings.

The segment information reported does not include any amounts of the above discontinued operation.

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

For the year ended 31 December 2016

Continuing operations

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

For the year ended 31 December 2015

Continuing operations

	IT consumer products *HK$'000*	IT corporate products *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue				
External sales	13,343,465	4,812,319	1,683,328	19,839,112
Segment profit	222,654	223,032	35,557	481,243
Other income				20,566
Research and development expenses				(17,451)
Administrative expenses				(133,180)
Exchange loss, net				(28,428)
Finance costs				(52,428)
Profit before tax				270,322
Segment assets	2,029,758	1,585,140	238,999	3,853,897
Unallocated assets:				
Pledged bank deposits				107,646
Bank balances and cash				150,970
Prepayments, deposits and other receivables				26,565
Plant and equipment				25,287
Available-for-sale Investment				9,849
Total segment assets				4,174,214
Assets classified as held for sale				2,150
Consolidated assets				4,176,364
Segment liabilities	1,173,036	944,185	71,726	2,188,947
Unallocated liabilities:				
Other payables				140,771
Amounts due to related companies				8,929
Government grants				16,310
Tax payable				7,460
Borrowings				524,925
Total segment liabilities				2,887,342
Liabilities associated with assets classified as held for sale				14,801
Consolidated liabilities				2,902,143

For the year ended 31 December 2016

Continuing operations

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

For the year ended 31 December 2015

Continuing operations

	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	9,099	3,627	(2,989)	–	9,737
Allowance for inventories	824	552	304	–	1,680
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:					
Research and development expenses	–	–	–	17,451	17,451
Addition to non-current assets	–	–	–	19,934	19,934
Depreciation	–	–	–	8,495	8,495
Gain on disposal of plant and equipment	–	–	–	(54)	(54)
Bank interest income	–	–	–	(10,864)	(10,864)
Finance costs	–	–	–	52,428	52,428
Income tax expenses	–	–	–	71,605	71,605

Geographical information

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

	2016	2015
	HK$'000	*HK$'000*
Mainland, China	**19,033,712**	19,812,648
Other regions	**29,536**	26,464
	19,063,248	19,839,112

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

	2016	2015
	HK$'000	*HK$'000*
Mainland, China	**30,344**	25,287
Hong Kong	**6**	–
	30,350	25,287

* *Non-current assets excluded financial instruments.*

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

6. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Continuing operations		
Interest on:		
Bank borrowings	**16,603**	8,818
Loan from related parties	**–**	20,394
Discounted bills with recourse	**18,269**	14,852
Guarantee fee	**6,145**	8,364
	41,017	52,428

7. INCOME TAX EXPENSES

	2016	2015
	HK$'000	*HK$'000*
Continuing operations		
Current tax:		
Hong Kong Profits Tax		
– Provision for the year	**623**	882
– Overprovision in prior years	**(20)**	–
	603	882
PRC Enterprise Income Tax ("EIT")		
– Provision for the year	**84,674**	70,510
– Underprovision in prior years	**125**	213
	84,799	70,723
	85,402	71,605

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

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

Under the Law of the PRC on EIT Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rates of Changhong IT Information Products Co., Ltd. ("CHIT"), Changhong IT Digital Technology Co., Ltd. ("Changhong IT Digital") and Beijing Changhong IT Intelligence System Co., Ltd are 25% for both years.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by 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 accumulated profits of the PRC subsidiaries amounting to HK$1,203,934,000 (2015: approximately HK$1,025,903,000) 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.

8. PROFIT FOR THE YEAR

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

	2016	2015
	HK$'000	*HK$'000*
Depreciation for plant and equipment	**7,167**	8,495
Auditor's remuneration	**2,166**	1,530
Directors' emoluments	**9,993**	11,337
Cost of inventories recognised as an expense	**18,306,118**	19,030,068
Staff costs, including directors' emoluments		
– Salaries and related staff costs	**196,275**	187,481
– Retirement benefits scheme contributions	**39,943**	44,854
	236,218	232,335
Exchange loss, net	**6,438**	28,428
(Reversal of allowance) allowance for inventories, net (included in cost of sales)	**(1,427)**	1,680
Impairment loss on trade receivables, net	**12,854**	9,737
Bad debts directly written off	**1,490**	–
Research and development expenses (Note)	**14,314**	17,451
Gain on disposal of plant and equipment	**7**	54
Minimum lease payments in respect of rented premises	**12,930**	14,303

Note: Included in the research and development costs, approximately HK$10,312,000 (2015: HK$13,925,000) are related to staff costs.

9. EARNINGS PER SHARE

From continuing and discontinued operations

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

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

For the year ended 31 December 2015	Continuing operations *HK$'000*	Discontinued operations *HK$'000*	Total *HK$'000*
Earnings			
Profit (loss) for the year attributable to owners of the Company	198,717	(66,968)	131,749
Less: Earnings (loss) attributable to convertible preference shares	(86,263)	29,071	(57,192)
Earnings (loss) for the purpose of basic earnings (loss) per share	112,454	(37,897)	74,557
Add: Earnings (loss) attributable to convertible preference shares	86,263	(29,071)	57,192
Earnings (loss) for the purpose of diluted earnings (loss) per share	198,717	(66,968)	131,749

	2016	2015
	'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 AND BILLS RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**1,376,794**	1,369,829
Less: Allowance for doubtful debts	**(60,671)**	(55,414)
	1,316,123	1,314,415
Bills receivables	**84,703**	140,865
Trade and bills receivables	**1,400,826**	1,455,280

The Group allows a credit period ranging from 30-180 days (2015: 30-180 days) to its third party trade customers. Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed twice a year. 77% (2015: 69%) of the trade and bills receivables are neither past due nor impaired.

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

	2016	2015
	HK$'000	*HK$'000*
Within 30 days	**699,957**	587,498
31 – 60 days	**403,673**	417,457
61 – 90 days	**93,879**	185,940
91 – 180 days	**59,860**	181,589
181– 365 days	**51,603**	45,160
Over 1 year	**91,854**	37,636
	1,400,826	1,455,280

Included in the Group's trade and bills receivables balance are debtors with aggregate carrying amount of approximately HK$278,158,000 (2015: HK$410,580,000) which were past due at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered fully recoverable. The Group does not hold any collateral over these balances.

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

	2016	2015
	HK$'000	*HK$'000*
Within 30 days	**155,281**	246,792
30 – 60 days	**23,243**	62,556
61 –90 days	**17,092**	14,948
91 – 180 days	**27,186**	28,818
Over 180 days	**55,356**	57,466
	278,158	410,580

Movement of allowance for doubtful debts

	2016	2015
	HK$'000	*HK$'000*
Balance at beginning of the year	**55,414**	48,714
Impairment loss on trade receivables	**12,854**	12,726
Reversal of impairment loss on trade receivables	**–**	(2,989)
Amounts written off as uncollectible	**(3,358)**	–
Exchange realignment	**(4,239)**	(3,037)
Balance at the end of the year	**60,671**	55,414

Included in the allowance for trade receivables are individually impaired trade receivables with an aggregate balance of approximately HK$60,671,000 (2015: HK$55,414,000) as at 31 December 2016, which have been in severe financial difficulties.

11. TRADE AND BILLS PAYABLES

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

	2016	2015
	HK$'000	*HK$'000*
Within 30 days	**1,280,088**	1,638,918
31 –60 days	**250,823**	61,026
61 –90 days	**21,783**	277,646
91 – 180 days	**20,057**	3,483
181 – 365 days	**14,716**	6,151
Over 1 year	**19,548**	8,102
	1,607,015	1,995,326

The credit period on purchase of goods is ranging from 30 – 120 days (2015: 30 – 120 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

12. DISPOSAL OF A SUBSIDIARY/DISPOSAL GROUP HELD FOR SALE

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

Accordingly, the operating results of the trading of consumer electronic products for both years in Hong Kong are presented as discontinued operation in the consolidated financial statements.

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

Profit (loss) for the period/year of the Consumer Electronic Products segment were as follows:

	Period from 1 January 2016 to 21 December 2016	Year ended 31 December 2015
	HK$'000	*HK$'000*
Profit (loss) for the period/year	**465**	(66,968)
Gain on Disposal	**7,542**	–
	8,007	(66,968)

Analysis of assets and liabilities over which control was lost:

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

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

	Period from 1 January 2016 to 21 December 2016	Year ended 31 December 2015
	HK$'000	*HK$'000*
Revenue	**371**	146,495
Cost of sales	**(728)**	(160,265)
Gross loss	**(357)**	(13,770)
Other income	**102**	44
Other gains and losses	**2,974**	(48,594)
Distribution and selling expenses	**–**	(794)
Administrative expenses	**(2,252)**	(3,854)
Finance costs	**(2)**	–
Profit (loss) before tax	**465**	(66,968)
Income tax expenses	**–**	–
Profit (loss) for the period/year from discontinued operation (attributed to owners of the company)	**465**	(66,968)

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

	Period from 1 January 2016 to 21 December 2016	Year ended 31 December 2015
	HK$'000	*HK$'000*
Cost of inventories recognised as an expense	**728**	160,265
Staff costs		
– Salaries and related staff costs	**322**	870
– Retirement benefits scheme contributions	**11**	34
	333	904
Reversal of provision (Note)	**(3,043)**	–
Waive of trade payables	**(31)**	(7,041)
Loss on disposal of plant and equipment	**2**	–
Depreciation	**5**	9
Auditor's remuneration	**–**	200
Bad debts directly written off	**27**	–
Impairment loss on trade receivables	**–**	55,489
Exchange loss, net	**40**	146
Minimum lease payments under operating leases in respect of office premises	**–**	1,234
Bank interest income	**–**	(1)

	Period from 1 January 2016 to 21 December 2016	Year ended 31 December 2015
	HK$'000	*HK$'000*
Net cash used in operating activities	**(3,145)**	(25,608)
Net cash generated from investing activities	**8**	1
Net cash generated from financing activities	**2,448**	17,751

The major classes of assets and liabilities of the discontinued operation as at 31 December 2015, which have been presented separately in the consolidated statement of financial position, are as follows:

	HK$'000
Plant and equipment	**15**
Inventories	**728**
Prepayments, deposits and other receivables	**716**
Bank balances and cash	**691**
Total assets classified as held for sale	**2,150**
Trade and bills payables	**9,575**
Provision (Note)	**3,756**
Other payables	**972**
Customer deposits	**498**
Total liabilities associated with assets classified as held for sale	**14,801**

Note:

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

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

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

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

13. CONTINGENT LIABILITIES

During the years ended 31 December 2016 and 2015, the Group (i) endorsed certain bills receivable for the settlement of trade and other payables; and (ii) discounted certain bills receivable to banks for raising of cash. In the opinion of the directors of the Company, the Group has transferred the significant risks and rewards relating to these bills receivable, and the Group's obligations to the corresponding counterparties were discharged in accordance with the commercial practice in the PRC and the risk of the default in payment of the endorsed and discounted bills receivable is low because all endorsed and discounted bills receivable are issued and guaranteed by the reputable PRC banks. As a result, the relevant assets and liabilities were not recognised on the consolidated financial statements. The maximum exposure to the Group that may result from the default of these endorsed and discounted bills receivable at the end of each reporting period are as follows:

	2016	2015
	HK$'000	*HK$'000*
Settlement of trade and other payables	**20,698**	42,980
Discounted bills for raising of cash	**121,187**	317,002
Outstanding endorsed and discounted bills receivable with recourse	**141,885**	359,982

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

EXTRACT OF REPORT OF THE AUDITORS

The following is an extract of the independent auditor's report on the Group's consolidated financial statement for the year ended 31 December 2016.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

The books and accounting records of a wholly owned subsidiary, Changhong Overseas Development Limited ("CHOD"), in respect of the year ended 31 December 2015 were found to be incomplete. As such, there was insufficient supporting documentation to carry out audit procedures to assess whether the loss for the year from discontinued operation of approximately HK$66,968,000 for the year ended 31 December 2015, assets classified as held for sale of approximately HK$2,150,000 and liabilities associated with assets classified as held for sale of approximately HK$14,801,000 as at 31 December 2015 and 1 January 2016 and the related disclosures were fairly stated. This caused the predecessor auditor to qualify the audit opinion on the consolidated financial statements in respect of the year ended 31 December 2015. On 21 December 2016, the Group disposed of the entire equity interest of CHOD to an independent third party. As described above, as the books and accounting records of CHOD were found to be incomplete, we were unable to obtain sufficient appropriate audit evidence about the gain on disposal of a subsidiary of approximately HK$7,542,000, and the profit for the year from discontinued operation of approximately HK$465,000 for the year ended 31 December 2016 included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016 and the related disclosures. Any adjustments found to be necessary would affect the Group's net assets as at 31 December 2016 and 2015 and the profits and cash flows for the years then ended.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules which sets out corporate governance principles and code provisions (the "Code Provisions") throughout the year ended 31 December 2016, the Company has complied with all the Code Provisions as set out under the CG Code, save for the deviations of Code Provisions E.1.2 as provided below:

Code Provision E.1.2

Pursuant to E.1.2 of the CG Code, the Chairman of the Board should attend the annual general meeting. However, Mr. Zhao Yong was unable to attend the annual general meeting of the Company held on 19 May 2016 due to other prior engagements.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

REMUNERATION COMMITTEE

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

AUDIT COMMITTEE

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

During the year under review, the audit committee held seven meetings. The annual results for the year ended 31 December 2016 have been reviewed by the audit committee.

NOMINATION COMMITTEE

The Company has established the nomination committee with written terms of reference. The nomination committee currently comprises three independent non-executive directors and one executive director. It is chaired by the Chairman of the Board. During the year, the nomination committee did not hold any meeting.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board conducts regular reviews on the effectiveness of the risk management and internal control systems on at least an annual basis to ensure that the operation of the Company is legal, the assets of the Company are safeguarded and the financial information that the Company relies on for the operation of its business or for the release to the public are accurate and reliable. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The management of the Group is responsible for establishing and maintaining the risk management and internal control systems for financial reporting. The Company has established a stringent internal control system for financial reporting to eliminate the risks of misstatement, omission and fraud in financial reporting. Meanwhile, with reference to external regulatory requirements, the Company's business development and the internal management procedures, the Company has reviewed the effectiveness of the internal control system for business strategy, finance, operations, marketing, legal compliance and other areas. The Company has established a comprehensive risk management system which integrates internal control and risk management system for the control of business operations with high risks. The Company also conducted assessment on the effectiveness of its internal control and risk management systems for the year ended 31 December 2016. The management of the Group believes that the internal control, risk management and financial reporting systems were effective and adequate and provided reliable financial data in the preparation of financial statements in accordance with generally accepted accounting principles.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

2016 BUSINESS REVIEW

In 2016, with the slowing down of global economic growth, the economic recovery remained slow and unsteady and the situation of reverse economic globalization trend intensified. Under the background of global economic recession, despite the complicated economic situation in China, its financial economy still operated steadily. The economic structure was further optimized and the digitalized economy boosted the rapid development of new industries and new business models. In view of the mixed market performance in the PRC IT market and the weak demand for traditional hardware products, new applications based on big data, cloud computing and mobile internet facilitated the continuous industry development. In 2016, by adhering to the guideline of "focusing on optimization, targeting on high efficiency, and achieving new development" and following the market, product and channel evolvement trends, the Group made active adjustments to its operating strategies and developed traditional distribution business steadily. We further optimized our overall management with significant improvement in operational efficiency. Substantial progress was achieved in new business opportunities including big data exploration, cloud services and internet marketing platforms.

In 2016, the Group recorded revenue of approximately HK$19,063.25 million, representing a decrease of 3.91% as compared with that in the corresponding period of the last financial year due to the impact of the RMB exchange rate depreciation. The gross profit margin in 2016 was 3.97%, representing a decrease of approximately 0.11 percentage points as compared with that in the corresponding period of the last financial year, which was mainly due to intense market competition and the increase in contribution from the sale of product lines with relatively lower gross profit margins. In 2016, profit attributable to shareholders amounted to approximately HK$232.77 million, representing an increase of approximately 76.68% as compared with that in the corresponding period of the last financial year, and basic earnings per share amounted to HK9.06 cents, representing an increase of approximately HK3.93 cents as compared with HK5.13 cents in the corresponding period of the last financial year. The increase in consolidated profit was mainly attributable to the fact that (i) a provision was made in 2015 for the Group's discontinued operations in relation to the misappropriation of assets by a former employee of CHOD, resulting in a relatively lower profit attributable to equity holders of the Company for 2015 as compared with that for the year ended 31 December 2016; and (ii) the operational efficiency was improved due to the Group's further control on operating costs.

In 2016, the Group continued to strengthen its risk management and control, reinforced accounts receivables collection, carried out detailed inventory management, allocated funds rationally, maintained sufficient working capital and accelerated assets turnover. At the same time, the Group strengthened inter-departmental collaboration and work innovation and optimization, thereby improving the operational efficiency and led to a year-on-year decrease in overall expenses.

IT consumer products distribution business: revenue in this segment decreased by 26.53% to approximately HK$9,803.34 million as compared with the corresponding period of last year, whilst its profit decreased by 17.53% to approximately HK$183.62 million. The channel sales were less than expected due to the overall shrinkage of the personal computer market. In order to control market risks, the Group adjusted product mix timely, focused on expanding advantageous market segments and promoted sales in the regions of fourth to sixth tier cities, while maintaining stable market shares.

IT corporate products distribution business: revenue in this segment increased by 3.32% to approximately HK$4,972.01 million as compared with the corresponding period of last year. Profit in this segment increased by 3.97% to approximately HK$231.89 million. By relying on the independent controllable products series and integrating the global leading data solutions, this segment focused its efforts on the basic software integration and industry application software development, and continued to promote industry solution and technology solution with cloud computing and big data comprehensive services and the integration and promotion of proprietary equipment so as to achieve a healthy development of business.

Other business: revenue in this segment increased by 154.73% to approximately HK$4,287.89 million as compared with the corresponding period of last year and profit in this segment increased by 19.95% to approximately HK$42.65 million as a result of the expansion of channel sales of smartphones.

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

In 2015, the management of CHOD reported to the Board that a former employee of CHOD had misappropriated certain assets of CHOD and the case was reported to the Hong Kong Police on 14 June 2015 (the "Incident"). The Incident had a material adverse impact on the financial position of the CHOD. An independent committee has been established to investigate the Incident. As at the latest practicable date prior to the printing of the report, most claims/suits have been settled between the purported suppliers and CHOD and only negotiation with one purported supplier was still continuing but no further action has been taken by that particular supplier. For further details, please refer to the announcements of the Company dated 15 June 2015, 19 June 2015, 20 July 2015 and 19 October 2015. Further updates will be provided by the Company from time to time as and when appropriate. The Company has ceased the business segment of trading consumer electronic products since July 2015 after the business discontinuation of CHOD following an internal review of the Company in June 2015. On 14 December 2016, the Company entered into an agreement with a third party to dispose CHOD. For details, please refer to the announcement of the Company dated 14 December 2016.

On 13 April 2016, Mr. Tang Yun tendered his resignation as an executive Director with effect from 13 April 2016 as Mr. Tang Yun would like to devote more time to his other business commitments. For further details, please refer to the announcement of the Company dated 13 April 2016.

LIQUIDITY AND FINANCIAL RESOURCES

For the year ended 31 December 2016, the Group's financial and liquidity positions remained healthy and stable. As at 31 December 2016, the aggregate outstanding borrowings of the Group were approximately HK$315.07 million (2015: HK$524.93 million), which were partially unsecured and interest bearing. The decrease in the Group's borrowings was due to the repayment of loans during the year ended 31 December 2016 as the Group's financial position was continuously improving. The Group's cash and bank balances amounted to approximately HK$307.40 million, together with trade and bills receivables amounting to approximately HK$1,400.83 million. For the year ended 31 December 2016, the Group's net current assets amounted to approximately HK$1,323.90 million and the Group did not have any charges on its fixed assets (2015: Nil). The net gearing ratio (total net debt/total shareholders' equity) of the Group as at 31 December 2016 was 1.81 times. The management of the Group is confident that with proper funding arrangements, the Group's financial resources are sufficient to finance its daily operations.

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

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2016, the total number of the Group's staff was 1,203 (2015: 1,139 staff). Total staff costs (including Directors) amounted to approximately HK$236.22 million for the year ended 31 December 2016. 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 2016, there were no outstanding share options granted or exercised as the share option scheme previously adopted by the Company had expired.

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

OUTLOOK

Going forward, in 2017, the global economy is expected to continue the slow recovery trend. The development environment and conditions both domestically and aboard will be more complicated and volatile along with increasing uncertainties. The PRC economy will further promote supply-side reforms with a stable economic development in general. As driven by such favorable polices including Internet+ and industry 4.0, along with the further enhanced integration of informatization and industrialization, urbanization and agricultural modernization, the informatization during the "Thirteenth Five-year" period will remain the important engine for the PRC economic transformation and development, and the new generation of IT including cloud computing, big data, Internet of Things and mobile internet application will continue to penetrate into various industries and achieve integrated development. Through the formulation of the "new thinking, new measures and new heights" guidelines in 2017, the Group will have an insight into new changes in politics, economy and industry, position itself as a leading industry player, and adopt new thinking and new methods in terms of business development and operational management, whereby enabling the Group to achieve a new dimension and height in terms of corporate mission, development strategy, culture construction, management standard and core competence, creating new success once again, and continuing to create new values for the Shareholders.

DIVIDEND

The Board recommended the payment of final dividend of HK$0.03 per share of the Company (the "Share(s)") in respect of the year ended 31 December 2016 (2015: HK$0.02 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 Monday, 5 June 2017 to all Shareholders whose name appear on the register of members of the Company at the close of business on 19 May 2017 and is subject to approval by the Shareholders at the forthcoming annual general meeting of the Company ("AGM").

CLOSURE OF REGISTER OF MEMBERS FOR AGM

The AGM is scheduled to be held on Tuesday, 16 May 2017. The Company's register of members will be closed from Thursday, 11 May 2017 to Tuesday, 16 May 2017, both days inclusive, for the purpose of determining the entitlements of the Shareholders to attend and vote at the AGM. During this period, no transfer of Shares will be registered. In order to qualify for attending and voting at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 10 May 2017.

CLOSURE OF REGISTER OF MEMBERS FOR PROPOSED FINAL DIVIDEND

The Company's register of members will be closed from Monday, 22 May 2017 to Wednesday, 24 May 2017, both days inclusive, for the purpose of determining the entitlements of the Shareholders to the proposed final dividend of HK$0.03 per Share for the year ended 31 December 2016, 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, 19 May 2017. The proposed final dividend will be paid to Shareholders whose names appear on the register of members of the Company on Friday, 19 May 2017.

INTERESTS OF THE DIRECTORS IN THE COMPANY

As at 31 December 2016, the interests or short positions of the Directors and chief executives 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 Division 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

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

Note:

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

Save as disclosed in this paragraph, as at 31 December 2016, none of the Directors or chief executives of the Company had interests in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2016 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS IN THE COMPANY

So far as was known to the Directors, as at 31 December 2016, the persons or companies (not being a Director or chief executive of the Company) whose interests in the Shares or underlying Shares or debentures of the Company which would fall to be disclosed or were notified to the Company and the Stock Exchange pursuant to the positions under Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO or who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

Long positions in Shares

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

Notes:

(a) The percentages are calculated based on the total number of Shares and preference shares of the Company in issue as at 31 December 2016, which were 1,454,652,000 and 1,115,868,000, respectively.

(b) Of the 1,008,368,000 Shares held by Sichuan Changhong, 95,368,000 Shares were held directly, 16,000,000 Shares were held through its wholly-owned subsidiary, Changhong Hong Kong and 897,000,000 Shares were held through Fit Generation, which is wholly-owned by Changhong Hong Kong. Sichuan Changhong is therefore deemed to be interested in the Shares held by Changhong Hong Kong and Fit Generation for the purpose of the SFO.

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

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

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

(f) Typical Faith Limited is wholly-owned by Mr. Zhu.

Save as disclosed above, as at 31 December 2016, the Directors were not aware of any other person who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 5% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

DIRECTOR'S INTEREST IN A COMPETING BUSINESS

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

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

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

During the year under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

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

EVENTS AFTER 31 DECEMBER 2016

In order to promote the strategic transformation of the Group, provide a one-stop internet distribution platform for customers and assist distributors and retailers to transform towards "Internet+" in the PRC, the Company resolved to establish a wholly-owned subsidiary named Sichuan Changhong IT Duolayouhuo E-commerce Co., Ltd. ("Duolayouhuo") with a capital contribution of RMB100 million on 23 February 2017. Duolayouhuo was established on 9 March 2017 and is expected to engage in, among other things, wholesale and retail of electronic products, computer hardware and software, communication equipment; provision of computer technology consulting services and e-commerce services; and development, design and application of computer software. For further details in relation to the establishment of Duolayouhuo, please refer to the announcement of the Company dated 23 February 2017.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been halted with effect from 9:00 a.m. on 30 March 2017 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 3 April 2017.

By Order of the Board
Zhao Yong
Chairman

Hong Kong, 31 March 2017

As at the date of this announcement, the executive directors of the Company are Mr. Zhao Yong, Mr. Zhu Jianqiu, Mr. Yu Xiao, Mr. Wu Xiangtao and Ms. Shi Ping and the independent non-executive directors of the Company are Mr. Jonathan Chan Ming Sun, Mr. Robert Ip Chun Chung, Mr. Sun Dongfeng and Mr. Cheng Yuk Kin.

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the "Latest Company Announcement" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the website of the Company at http://www.changhongit.com.hk.