



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

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 8016)**

**FIRST QUARTERLY RESULTS ANNOUNCEMENT  
FOR THE THREE MONTHS ENDED 31 MARCH 2019**

**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 announcement, 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## HIGHLIGHTS

The Group for the three months ended 31 March 2019 increased by approximately 26.71% to HK\$6,625.29 million as compared with the corresponding period in 2018. For the three months ended 31 March 2019, the Group recorded a net profit of approximately HK\$94.70 million, representing an increase of approximately 54.74% as compared with the corresponding period in 2018.

## RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited consolidated results of the Company for the three months ended 31 March 2019, together with the comparative figures for the corresponding period of last year, as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the three months ended 31 March 2019*

	<i>Notes</i>	<b>2019</b> <b>HK\$'000</b> <b>Unaudited</b>	2018 <i>HK\$'000</i> Unaudited
<b>Revenue</b>	2	<b>6,625,291</b>	5,228,907
Cost of sales		<u>(6,393,594)</u>	<u>(5,037,399)</u>
<b>Gross profit</b>		<b>231,697</b>	191,508
Other income		<b>9,269</b>	3,239
Distribution and selling expenses		<b>(58,558)</b>	(67,292)
Administrative expenses		<u>(29,055)</u>	<u>(30,980)</u>
Profit from operation		<b>153,353</b>	96,475
Finance cost		<u>(26,161)</u>	<u>(9,744)</u>
Profit before taxation		<b>127,192</b>	86,731
Income tax expense	4	<u>(32,488)</u>	<u>(25,531)</u>
<b>Profit for the period</b>		<b><u>94,704</u></b>	<b><u>61,200</u></b>
<b>Profit for the period attributed to owners of the Company</b>		<b><u>94,704</u></b>	<b><u>61,200</u></b>
<b>Earnings per share</b>			
Basic and diluted ( <i>HK cents</i> )	5	<b><u>3.68</u></b>	<b><u>2.38</u></b>

## NOTES:

For the three months ended 31 March 2019

### 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 three months ended 31 March 2019 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 adopted are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2018 (the “2018 Consolidated Financial Statements”), except for the amendments and interpretations of HKFRSs (the “New HKFRSs”) issued by HKICPA which have become effective in this period as detailed in the notes of the 2018 Consolidated Financial Statements. The adoption of the New HKFRSs has no material impact on the accounting policies in the Group’s condensed consolidated financial statements for the period.

### 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 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 three months ended 31 March 2019 and 2018 are as follows:

	2019 <i>HK\$’000</i>	2018 <i>HK\$’000</i>
IT Consumer Products	2,595,426	2,617,712
IT Corporate Products	1,912,284	1,675,916
Others	<u>2,117,581</u>	<u>935,279</u>
	<u><u>6,625,291</u></u>	<u><u>5,228,907</u></u>

### 3. SEGMENT INFORMATION

Segment information is reported to the executive directors or management of the Company, being the chief operating decision maker (the “CODM”), for the purposes of making decisions about resource allocation and assessment of segment performance.

The Group’s reportable and operating segments 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 intelligent terminal products and services, 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 is 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 three months ended 31 March 2019			
	IT Consumer Products <i>HK\$’000</i>	IT Corporate Products <i>HK\$’000</i>	Others <i>HK\$’000</i>	Total <i>HK\$’000</i>
<b>Revenue</b>				
External sales	<u>2,595,426</u>	<u>1,912,284</u>	<u>2,117,581</u>	<u>6,625,291</u>
<b>Segment profit</b>	<u>65,141</u>	<u>97,764</u>	<u>7,189</u>	170,094
Other income				9,269
Finance costs				(26,161)
Unallocated head office and corporate expenses				<u>(26,010)</u>
<b>Profit before tax</b>				<u>127,192</u>

	For the three months ended 31 March 2018			
	IT Consumer Products HK\$'000	IT Corporate Products HK\$'000	Others HK\$'000	Total HK\$'000
Revenue				
External sales	<u>2,617,712</u>	<u>1,675,916</u>	<u>935,279</u>	<u>5,228,907</u>
Segment profit	<u>49,130</u>	<u>58,637</u>	<u>10,910</u>	118,677
Other income				3,239
Finance costs				(9,744)
Unallocated head office and corporate expenses				(25,441)
Profit before tax				<u>86,731</u>

### Geographical information

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

	For the three months ended 31 March	
	2019 HK\$'000	2018 HK\$'000
Mainland China	<b>6,590,787</b>	5,212,148
Other regions	<u>34,504</u>	<u>16,759</u>
	<u><b>6,625,291</b></u>	<u>5,228,907</u>

#### 4. INCOME TAX EXPENSE

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

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rates of Changhong IT Information Products Co., Ltd. ("CHIT"), Changhong IT Digital Technology Co., Ltd. ("Changhong IT Digital"), Sichuan Changhong IT Duolayouhuo E-commerce Co., Ltd are 25% for both years.

Beijing Changhong IT Intelligence System Co., Ltd, a wholly-owned subsidiary of the Company operating in the PRC, has been accredited as a “High and New Technology Enterprise” by the Ministry of Science and Technology of the PRC, and have been registered with the local tax authorities for enjoying the reduced 15% EIT rate. Accordingly, the profits derived by the subsidiary are subject to 15% EIT rate for the three months ended 31 March 2019. The qualification as a High and New Technology Enterprise will be subject to annual review by the relevant tax authorities in the PRC.

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:

	<b>For the three months ended 31 March</b>	
	<b>2019</b>	2018
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Earnings</b>		
Profit for the period attributable to owners of the Company	<u><b>94,704</b></u>	<u>61,200</u>
	<b>2019</b>	2018
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Number of Shares</b>		
Weighted average number of ordinary shares and convertible preference shares for the purpose of basic and diluted earnings per share	<u><b>2,570,520</b></u>	<u>2,570,520</u>

As there was no diluted shares during the three months ended 31 March 2019 and 2018, 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.

## **DIVIDENDS**

The Directors do not recommend the payment of any dividend for the three months ended 31 March 2019 (2018: Nil).

The Board recommended the payment of final dividend of HK\$0.03 per share in respect of the year ended 31 December 2018. The final dividend is subject to approval by the shareholders of the Company (the “Shareholders”) at the forthcoming annual general meeting of the Company to be held on 17 May 2019.

## **BUSINESS REVIEW**

In the first quarter of 2019, world economic growth and international trade growth slowed down, and China’s economic operation was also facing downward pressure, but the level of economic growth remained within a reasonable range, continuing the overall stable, steady and progressive development trend. The Group kept on promoting the strategic upgrading towards becoming an IT comprehensive service provider. While implementing the business strategy of “All Channels, Specialization, New Distribution, and Good Partners”, we focused on the business policy of “Professional Exploration and Growth of Value”, and strived to enhance our capability of solutions and level of channel services, expanded our cooperation with core manufacturers and continually optimised the internet distribution platform and operation system. The scale and revenue of the Group’s main business both achieved a significant growth in the first quarter of 2019.

For the three months ended 31 March 2019, the Group recorded a revenue of approximately HK\$6,625.29 million, representing an increase of approximately 26.71% as compared with that in the corresponding period of last financial year. The overall gross profit margin decreased by approximately 0.16% to 3.50% as compared with that in the corresponding period of last financial year, due to the increase in the sale of product lines with lower gross profit margin. Profit attributable to shareholders amounted to approximately HK\$94.70 million, representing an increase of approximately 54.74% as compared with that in the corresponding period of last financial year. Basic earnings per share amounted to HK3.68 cents, representing an increase of approximately HK1.30 cents as compared with HK2.38 cents in the corresponding period of last financial year.

The Group continued to strengthen its basic management and carried on strengthening the information technology construction as well as transforming and optimizing the business process so as to improve its operational efficiency. In addition, the Group adhered to strict management and control on accounts receivable and inventory. During the first quarter of 2019, the Group achieved effective cost control, leading to an obvious year-on-year decrease in overall spending. The finance costs increased as compared with the corresponding period of last year due to the rising scale of loans.

The analysis of three reportable and operating segments of the Company for the three months ended 31 March 2019 are as follows:

**IT consumer products distribution business:** this business segment maintained stable scale and market share in key product lines, and recorded significant growth in new product lines. Although the revenue of this business segment decreased by approximately 0.85% to HK\$2,595.43 million as compared with the corresponding period of last year, its profit increased by approximately 32.59% to HK\$65.14 million due to higher gross profit margin and lower cost.

**IT corporate products distribution business:** this business segment recorded sales growth in most of the product lines, with significant increase in the income from software products. Revenue from this business segment increased by approximately 14.10% to HK\$1,912.28 million as compared with the corresponding period of last year. Profit from this business segment increased by approximately 66.73% to HK\$97.76 million due to the significant increase of gross profit.

**Other business:** revenue from this business segment increased by approximately 126.41% to HK\$2,117.58 million as compared with the corresponding period of last year due to the increase in the sales of smartphones. Profit from this business segment decreased by approximately 34.11% to HK\$7.19 million due to the increase in impairment of LBS product inventory.

Mr. Li Jin has tendered his resignation as executive Director with effect from 15 January 2019 in order to devote more time to his other business commitment. Mr. Li Jin would also cease to be the alternate director of Mr. Zhao Yong, the chairman of the Board and an executive Director, with effect from 15 January 2019. For further details, please refer to the announcement of the Company dated 15 January 2019.

## OUTLOOK

In 2019, unbalanced external environment with uncertainties and intertwined domestic structural contradictions and periodic problems have strengthened the downward momentum of the economy. At the same time, counter-cyclical policy effects will continue to play a role. It is expected that China's economy will maintain a stable and healthy operation. In 2019, the Group will continue to implement the business policy of "Professional Exploration and Growth of Value", accelerate the innovation and accumulation of technology solutions, industry solutions and professional solutions, and continuously improve professional service capabilities and profitability. The Group is committed to promoting the operation of the internet distribution platform, innovating and creating B2B new distribution e-commerce platform, providing comprehensive services for ICT channels, so as to create new commercial value with partners and provide better returns for shareholders.



## **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 three months ended 31 March 2019.

### **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 three months ended 31 March 2019.

### **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 LISTING SECURITIES**

During the three months ended 31 March 2019, 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 IN THE COMPANY

As at 31 March 2019, 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

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

*Notes:*

(a) (L) represents long position.

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

Save as disclosed above, as at 31 March 2019, 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 three months ended 31 March 2019 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 announcement, the Company has not granted any share options to the Directors.

## INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS IN THE COMPANY

So far as was known to the Directors, as at 31 March 2019, the persons or companies (not being a Director or chief executive of the Company) whose interests and 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 a)	Approximate percentage of interest in relevant class of Shares (Note b) %
Sichuan Changhong Electric Co, Limited ("Sichuan Changhong")	Interest of controlled corporation and beneficial owner	Ordinary	1,008,368,000 (L) (Note c)	69.32
		Preference	1,115,868,000 (L) (Note d)	100.00
Changhong (Hong Kong) Trading Limited ("Changhong Hong Kong")	Interest of controlled corporation and beneficial owner	Ordinary	913,000,000 (L) (Note e)	62.76
		Preference	1,115,868,000 (L) (Note d)	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

Name of substantial Shareholder	Capacity	Class of Shares	Number of Shares held (Note a)	Approximate percentage of interest in relevant class of Shares (Note b) %
Sichuan Investment Management Company Limited ("Sichuan Investment Management") (Note f)	Beneficial owner	Ordinary	83,009,340 (L)	5.70
Sichuan Provisional Investment Group Company Limited ("Sichuan Investment Group") (Note f)	Interest of controlled corporation	Ordinary	83,009,340 (L)	5.70
Typical Faith Limited (Note g)	Beneficial owner	Ordinary	82,415,762 (L)	5.67

*Notes:*

- (a) (L) represents long position.
- (b) The percentages are calculated based on the total number of Shares and preference shares of the Company in issue as at 31 March 2019, which were 1,454,652,000 and 1,115,868,000, respectively.
- (c) 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.
- (d) 1,115,868,000 preference shares of the Company 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.
- (e) 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.
- (f) 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.
- (g) Typical Faith Limited is wholly-owned by Mr. Zhu.

Save as disclosed above, as at 31 March 2019, 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 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 above, 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 three months ended 31 March 2019.

## **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 announcement, 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 three months ended 31 March 2019.

## EVENTS AFTER REPORTING PERIOD

To expand the Group's e-commerce business, on 12 April 2019, Sichuan Changhong Jiahua Digital Technology Co., Ltd.\* (四川長虹佳華數字技術有限公司, the "WFOE"), Sichuan Changhong Cloud Computing Company Limited\* (四川長虹雲計算有限公司, the "OPCO"), and Sichuan Changhong Electronics Holding Group Co., Ltd. (四川長虹電子控股集團有限公司) entered into the VIE Agreements. Through the VIE Agreements, the WFOE will have effective control over the finance and operation of the OPCO and will enjoy the entire economic interests and benefits generated by the OPCO. The Group intends for the OPCO to establish a new business-to-business e-commerce platform, which will connect third-party merchants with each other. For further details, please refer to the announcement of the Company dated 12 April 2019.

By Order of the Board of  
**Changhong Jiahua Holdings Limited**  
**Zhu Jianqiu**  
*Executive Director and President*

Hong Kong, 23 April 2019

*As at the date of this announcement, the executive Directors are Mr. Zhao Yong, Mr. Zhu Jianqiu, Mr. Yang Jun and Mr. Luo Yongping and the independent non-executive Directors are Mr. Jonathan Chan Ming Sun, Mr. Robert Ip Chun Chung, Mr. Sun Dongfeng and Mr. Cheng Yuk Kin.*

*This announcement will appear on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the "Latest Company Announcements" page for 7 days from the day of its posting thereon and on the website of the Company at [www.changhongit.com.hk](http://www.changhongit.com.hk).*