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Changhong Jiahua Holdings Limited

長虹佳華控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 3991)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>NOTES</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	3	44,558,173	40,381,301
Cost of sales		(43,239,733)	(39,302,538)
Gross profit		1,318,440	1,078,763
Other income	4	67,530	68,657
Distribution and selling expenses		(437,078)	(363,873)
Research and development expenses		(33,404)	(24,557)
Administrative expenses		(169,182)	(180,176)
Finance costs	6	(175,290)	(144,130)
Impairment loss on trade receivables, net		(61,955)	(19,114)
Exchange loss, net		(2,816)	(93)

	<i>NOTES</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit before tax		506,245	415,477
Income tax expenses	7	<u>(92,998)</u>	<u>(70,079)</u>
Profit for the year attributable to the owners of the Company	8	<u>413,247</u>	<u>345,398</u>
Other comprehensive income			
<i>Item that will not be reclassified to profit or loss:</i>			
Exchange differences arising from translation of consolidated financial statements to presentation currency		<u>87,389</u>	<u>166,783</u>
Total comprehensive income for the year		<u>500,636</u>	<u>512,181</u>
Earnings per share	9		
Basic and diluted (<i>HK cents</i>)		<u>16.08</u>	<u>13.44</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	<i>NOTES</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Plant and equipment		5,668	5,726
Intangible assets		21,661	18,484
Right-of-use assets		12,524	12,599
Financial asset at fair value through profit or loss		35,196	30,666
		75,049	67,475
Current assets			
Inventories		3,667,994	3,131,603
Trade receivables	<i>10</i>	4,385,787	3,110,036
Bills receivables at fair value through other comprehensive income		59,030	418,414
Tax recoverable		–	4,065
Prepayments, deposits and other receivables		189,568	119,196
Amounts due from related companies		8,306	13,530
Trade deposits paid		690,871	808,048
Pledged bank deposits		2,687,475	2,917,765
Bank balances and cash		707,365	369,591
		12,396,396	10,892,248
Current liabilities			
Trade and bills payables	<i>11</i>	7,839,724	5,622,316
Other payables		445,043	331,711
Tax payables		12,046	26,723
Borrowings		1,179,675	2,195,451
Amounts due to related companies		22,585	15,878
Contract liabilities		276,973	444,244
Lease liabilities		8,612	8,800
		9,784,658	8,645,123
Net current assets		2,611,738	2,247,125
Total assets less current liabilities		2,686,787	2,314,600

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current liabilities		
Government grants	1,341	1,766
Lease liabilities	5,186	4,684
	<u>6,527</u>	<u>6,450</u>
Net assets	<u>2,680,260</u>	<u>2,308,150</u>
Capital and reserves		
Share capital	36,366	36,366
Convertible preference shares	27,897	27,897
Reserves	2,615,997	2,243,887
Total equity	<u>2,680,260</u>	<u>2,308,150</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Share capital HK\$'000	Convertible preference shares HK\$'000	Statutory reserve HK\$'000 (Note i)	Merger reserve HK\$'000 (Note ii)	Translation reserve HK\$'000	Other reserve HK\$'000 (Note iii)	Contributed surplus HK\$'000 (Note iv)	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2020	36,366	27,897	111,219	(1,248,106)	(166,357)	(203,432)	1,760,883	1,580,320	1,898,790
Profit for the year	-	-	-	-	-	-	-	345,398	345,398
Exchange differences arising from translation of consolidated financial statements to presentation currency	-	-	-	-	166,783	-	-	-	166,783
Total comprehensive income for the year	-	-	-	-	166,783	-	-	345,398	512,181
Appropriation to statutory reserve	-	-	4,219	-	-	-	-	(4,219)	-
Dividends recognised as distribution (Note 12)	-	-	-	-	-	-	(102,821)	-	(102,821)
At 31 December 2020	36,366	27,897	115,438	(1,248,106)	426	(203,432)	1,658,062	1,921,499	2,308,150
Profit for the year	-	-	-	-	-	-	-	413,247	413,247
Exchange differences arising from translation of consolidated financial statements to presentation currency	-	-	-	-	87,389	-	-	-	87,389
Total comprehensive income for the year	-	-	-	-	87,389	-	-	413,247	500,636
Appropriation to statutory reserve	-	-	5,009	-	-	-	-	(5,009)	-
Dividends recognised as distribution (Note 12)	-	-	-	-	-	-	(128,526)	-	(128,526)
At 31 December 2021	36,366	27,897	120,447	(1,248,106)	87,815	(203,432)	1,529,536	2,329,737	2,680,260

Notes:

- (i) In accordance with the Articles and Association of the People's Republic of China (the "PRC") subsidiaries and the relevant laws and regulations applicable in the PRC, companies established in the PRC are required to appropriate at least 10% of their statutory annual profits after tax determined in accordance with the relevant statutory rules and regulations applicable to enterprises in the PRC to the statutory reserve until the balance of the reserve reaches 50% of their respective registered capitals. Subject to certain restrictions as set out in the relevant PRC regulations, the statutory reserve may be used to offset against accumulated losses of the respective PRC companies. The amount of the transfer is subject to the approval of the board of director of the respective PRC companies.
- (ii) The merger reserve represents the difference between the considerations and the assets and liabilities acquired under business combinations under common control.
- (iii) The other reserve represents the difference between the consideration paid and the carrying values of non-controlling interests acquired during the year ended 31 December 2014.
- (iv) On 15 May 2015, a resolution was passed on the annual general meeting to approve the reduction of the amount of approximately HK\$2,095,051,000 standing to the credit of the share premium account of the Company and the transfer of the entire amount to the contributed surplus account of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL INFORMATION

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

The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business is Unit 1412, 14/F., West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong.

The Company is an investment holding company.

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

Sichuan Changhong Electronic Co., Limited (“Sichuan Changhong”), a company incorporated in the PRC with its shares listed on the Shanghai Stock Exchange, has obtained the control over the board of directors of the Company since 2012. Sichuan Changhong Electronics Holding Group Co., Ltd., (“Sichuan Changhong Holding”, a company established in the PRC and wholly-owned by the State-owned Assets Supervision and Administration Commission of the Mianyang city government) is the single largest shareholder of Sichuan Changhong, which held approximately 23.22% of the entire issued share capital of Sichuan Changhong and has de facto control over the composition of the majority of the board of Sichuan Changhong. In the opinion of the directors of the Company, Sichuan Changhong Holding, Sichuan Changhong, Changhong (Hong Kong) Trading Limited and Fit Generation Holding Limited (“Fit Generation”) remain as a group of controlling shareholders as at 31 December 2021. The Company’s immediate holding company is Fit Generation, a private company incorporated in the British Virgin Islands.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

In 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, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “Committee”) of the International Accounting Standards Board issued in December 2020 in relation to Supply Chain Financing Arrangements, and the agenda decision issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	<i>Insurance Contracts and the related Amendments</i> ³
Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i> ²
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i> ¹
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)</i> ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> ³
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> ³
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> ³
Amendments to HKAS 16	<i>Property, Plant and Equipment — Proceeds before Intended Use</i> ²
Amendments to HKAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i> ²
<i>Amendments to HKFRSs</i>	<i>Annual Improvements to HKFRSs 2018–2020</i> ²

¹ Effective for annual periods beginning on or after 1 April 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

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

Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies*

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies. The impacts of application, if any, will be disclosed in the Group’s future consolidated financial statements.

Amendments to HKAS 8 *Definition of Accounting Estimates*

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group’s consolidated financial statements.

3. REVENUE

(i) Disaggregation of revenue from contracts with customers

Segments	For the year ended 31 December 2021			
	ICT consumer products <i>HK\$'000</i>	ICT corporate products <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Types of goods or service				
Sales of Information and Communication Technology ("ICT") products	19,652,097	12,476,542	169,760	32,298,399
Sales of smartphone and own brand products	–	–	12,147,744	12,147,744
Sales of warranty packages and professional integrated ICT solutions	18,635	43,907	18,960	81,502
Provision of ICT services	–	–	30,528	30,528
	<u>19,670,732</u>	<u>12,520,449</u>	<u>12,366,992</u>	<u>44,558,173</u>
Timing of revenue recognition				
A point of time	19,670,732	12,520,449	12,336,464	44,527,645
Overtime	–	–	30,528	30,528
	<u>19,670,732</u>	<u>12,520,449</u>	<u>12,366,992</u>	<u>44,558,173</u>

Segments	For the year ended 31 December 2020			
	ICT consumer products <i>HK\$'000</i>	ICT corporate products <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Types of goods or service				
Sales of Information and Communication Technology ("ICT") products	14,237,535	9,785,489	59,911	24,082,935
Sales of smartphone and own brand products	–	–	15,950,692	15,950,692
Sales of warranty packages and professional integrated ICT solutions	16,679	236,946	82,613	336,238
Provision of ICT services	–	–	11,436	11,436
	<u>14,254,214</u>	<u>10,022,435</u>	<u>16,104,652</u>	<u>40,381,301</u>
Timing of revenue recognition				
A point of time	14,254,214	10,022,435	16,093,216	40,369,865
Overtime	–	–	11,436	11,436
	<u>14,254,214</u>	<u>10,022,435</u>	<u>16,104,652</u>	<u>40,381,301</u>

(ii) Performance obligations for contracts with customers

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

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

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

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

4. OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bank interest income	31,453	23,187
Government grants	31,984	25,062
Gain on fair value changes of financial assets at FVTPL	3,578	19,435
Others	515	973
	<u>67,530</u>	<u>68,657</u>

5. SEGMENT INFORMATION

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

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

1. ICT Consumer Products — distribution of ICT consumer products which include mainly personal computers, digital products and IT accessories.
2. ICT Corporate Products — distribution of ICT corporate products which include mainly storage products, minicomputers, networking products, personal computer servers, intelligent building management system products and unified communications and contact centre products.
3. Others — distribution of smartphones and development of its own brand products including but not limited to intelligent terminals, sales of warranty packages and professional integrated ICT solutions and provision of ICT services.

The accounting policies of the reportable and operating segments are the same as the Group’s accounting policies. Segment profit represents the profit earned by each segment without allocation of other income, research and development expenses, finance costs, exchange loss, net as well as unallocated head office and corporate administrative expenses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets do not include plant and equipment, intangible assets, right-of-use assets, prepayments, deposits and other receivables, pledged bank deposits, bank balances and cash, and financial asset at FVTPL. Segment liabilities do not include other payables, tax payables, lease liabilities, unallocated amounts due to related companies, government grants and borrowings.

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

For the year ended 31 December 2021

	ICT consumer products HK\$'000	ICT corporate products HK\$'000	Others HK\$'000	Total HK\$'000
Revenue				
External sales	<u>19,670,732</u>	<u>12,520,449</u>	<u>12,366,992</u>	<u>44,558,173</u>
Segment profit	<u>324,752</u>	<u>375,641</u>	<u>119,014</u>	819,407
Other income				67,530
Research and development expenses				(33,404)
Administrative expenses				(169,182)
Exchange loss, net				(2,816)
Finance costs				<u>(175,290)</u>
Profit before tax				<u>506,245</u>
Segment assets	<u>3,743,344</u>	<u>3,773,750</u>	<u>1,294,894</u>	8,811,988
Unallocated assets:				
Pledged bank deposits				2,687,475
Bank balances and cash				707,365
Prepayments, deposits and other receivables				189,568
Plant and equipment				5,668
Right-of-use assets				12,524
Intangible assets				21,661
Financial asset at FVTPL				<u>35,196</u>
Total consolidated assets				<u>12,471,445</u>
Segment liabilities	<u>4,539,362</u>	<u>3,000,532</u>	<u>576,803</u>	8,116,697
Unallocated liabilities:				
Other payables				445,043
Amounts due to related companies				22,585
Government grants				1,341
Tax payables				12,046
Borrowings				1,179,675
Lease liabilities — non current				5,186
Lease liabilities — current				<u>8,612</u>
Total consolidated liabilities				<u>9,791,185</u>

For the year ended 31 December 2020

	ICT consumer products <i>HK\$'000</i>	ICT corporate products <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue				
External sales	<u>14,254,214</u>	<u>10,022,435</u>	<u>16,104,652</u>	<u>40,381,301</u>
Segment profit	<u>264,586</u>	<u>339,684</u>	<u>91,506</u>	695,776
Other income				68,657
Research and development expenses				(24,557)
Administrative expenses				(180,176)
Exchange loss, net				(93)
Finance costs				<u>(144,130)</u>
Profit before tax				<u>415,477</u>
Segment assets	<u>2,838,816</u>	<u>3,553,218</u>	<u>1,089,597</u>	7,481,631
Unallocated assets:				
Pledged bank deposits				2,917,765
Bank balances and cash				369,591
Prepayments, deposits and other receivables				119,196
Tax recoverable				4,065
Plant and equipment				5,726
Right-of-use assets				12,599
Intangible assets				18,484
Financial asset at FVTPL				<u>30,666</u>
Total consolidated assets				<u>10,959,723</u>
Segment liabilities	<u>3,411,590</u>	<u>1,374,479</u>	<u>1,283,908</u>	6,069,977
Unallocated liabilities:				
Other payables				331,711
Amounts due to related companies				12,461
Government grants				1,766
Tax payables				26,723
Borrowings				2,195,451
Lease liabilities — non current				4,684
Lease liabilities — current				<u>8,800</u>
Total consolidated liabilities				<u>8,651,573</u>

For the year ended 31 December 2021

	ICT consumer products HK\$'000	ICT 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	9,524	42,051	10,380	–	61,955
Allowance (reversal of allowance) for inventories	15,234	32,978	(3,141)	–	45,071
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:					
Research and development expenses	–	–	–	33,404	33,404
Addition to non-current assets	–	–	–	18,515	18,515
Depreciation	–	–	–	12,176	12,176
Amortisation	–	–	–	4,402	4,402
Bank interest income	–	–	–	(31,453)	(31,453)
Finance costs	–	–	–	175,290	175,290
Income tax expenses	–	–	–	92,998	92,998
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

For the year ended 31 December 2020

	ICT consumer products <i>HK\$'000</i>	ICT corporate products <i>HK\$'000</i>	Others <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measure of segment profit or loss or segment assets:					
Impairment loss on trade receivables, net	6,136	11,854	1,124	–	19,114
Allowance for inventories	3,728	30,994	12,148	–	46,870
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:					
Research and development expenses	–	–	–	24,557	24,557
Addition to non-current assets	–	–	–	18,093	18,093
Depreciation	–	–	–	11,992	11,992
Amortisation	–	–	–	4,177	4,177
Bank interest income	–	–	–	(23,187)	(23,187)
Finance costs	–	–	–	144,130	144,130
Income tax expenses	–	–	–	70,079	70,079

Geographical information

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Mainland, China	44,427,632	40,326,992
Other regions	130,541	54,309
	<u>44,558,173</u>	<u>40,381,301</u>

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

	2021	2020
	HK\$'000	HK\$'000
Other regions	2	2
Mainland, China	39,851	36,807
	39,853	36,809

* *Non-current assets excluded financial instruments.*

Information about major customers

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

	Year ended	
	2021	2020
	HK\$'000	HK\$'000
Customer A ¹	7,941,838	653,356
Customer B ²	–	5,171,243
Customer C ³	481,551	4,791,702

¹ Revenue from “ICT consumer products” and “others” segment

² Revenue from “others” segment

³ Revenue from “ICT consumer products” and “others” segment

6. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on:		
Bank and other borrowings	60,732	72,286
Discounted bills receivables and payables	99,711	60,975
Guarantee fee	14,313	10,333
Lease liabilities	534	536
	<u>175,290</u>	<u>144,130</u>

7. INCOME TAX EXPENSES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax:		
The PRC Enterprise Income Tax (“EIT”)		
— Provision for the year	86,562	98,967
— Under(Over)provision in prior years	6,436	(28,888)
	<u>92,998</u>	<u>70,079</u>

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

No provision for Hong Kong Profits Tax has been recognised as the Company has no estimated assessable profit subject to Hong Kong Profits Tax for the both years.

Under the Law of the PRC on EIT (the “EIT Law”) and Implementation Regulation of the EIT Law, except as disclosed below, the tax rates of the subsidiaries in PRC are 25% for both years.

Beijing Changhong IT Intelligence System Co., Ltd operating in the PRC has been accredited as a “High and New Technology Enterprise” by the Ministry of Science and Technology, the PRC and relevant authorities for a term of three years and have been registered with the local tax authorities for enjoying the reduced 15% EIT rate. Accordingly, the profits derived by the subsidiary are subject to 15% EIT rate for the year ended 31 December 2021 and 2020. The qualification as a High and New Technology Enterprise will be subject to review every three years by the relevant tax authorities in the PRC.

In 2021, Changhong IT Information Products Co., Ltd. (“CHIT”), Changhong IT Digital Technology Co., Ltd. (“Changhong IT Digital”) and Sichuan Changhong IT Duolayouhuo E-commerce Co., Ltd. (2020: Changhong IT Digital and Sichuan Changhong IT Duolayouhuo E-commerce Co., Ltd.), operating in the PRC, have been qualified as the “Encouraged Enterprises” under “The Catalogue of Encouraged Industries in Western Regions” (the “Catalogue”), as their main business is one of the encouraged business in the Catalogue and the revenue from their main business accounts for more than the required percentage of their total revenue, and enjoyed the reduced preferential EIT rate of 15%. Accordingly, the profits derived by the aforesaid subsidiaries are subject to 15% EIT rate.

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

	2021	2020
	HK\$'000	HK\$'000
Profit before tax	506,245	415,477
Tax at the domestic income tax rate of 25% (2020: 25%) (Note)	126,560	103,869
Tax effect of income not taxable for tax purpose	(12)	(17)
Tax effect of expenses not deductible for tax purpose	3,735	1,297
Effect of tax exemption and tax concessions	(57,708)	(30,983)
Tax effect of tax losses not recognised	6,486	2,961
Utilisation of tax losses not recognised	(916)	–
Tax effect of deductible temporary differences not recognised	18,916	19,086
Utilisation of deductible temporary differences not recognised	(764)	(589)
Under (over) provision in prior years	6,436	(28,888)
Others	(9,735)	3,343
Income tax expenses	92,998	70,079

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

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained earnings of the PRC subsidiaries amounting to HK\$2,824,276,000 (2020: HK\$2,322,075,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At the end of the reporting period, the Group has unused tax losses of HK\$99,483,000 (2020: HK\$77,203,000) contributed by continuing operations available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Unrecognised tax losses of approximately HK\$80,679,000 (2020: HK\$55,088,000) will expire from 2023 to 2031 (2020: 2023 to 2030), and approximately HK\$18,804,000 (2020: HK\$22,115,000), subject to agreement by Hong Kong Inland Revenue Department, may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences in relation to allowance for inventories, provisions for ECL and other miscellaneous expense deductions of HK\$154,916,000 (2020: HK\$82,308,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

8. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Depreciation for plant and equipment	2,112	3,859
Depreciation for right-of-use assets	10,064	8,133
Amortisation of intangible assets	4,402	4,177
Auditor's remuneration	2,761	2,350
Directors' emoluments	17,454	14,916
Cost of inventories recognised as an expense	43,239,733	39,302,538
Staff costs, (including directors' emoluments)		
— Salaries and related staff costs	364,166	283,720
— Retirement benefits scheme contributions	66,073	35,452
	<u>430,239</u>	<u>319,172</u>
Allowance for inventories, net (included in cost of sales)	45,071	46,870
Impairment loss on trade receivables, net	61,955	19,114
Research and development expenses (<i>Note</i>)	33,404	24,557
Written off of plant and equipment	–	9,989
Written off of software	–	7,070
	<u><u>430,239</u></u>	<u><u>319,172</u></u>

Note: Included in the research and development expenses, approximately HK\$13,067,000 (2020: HK\$10,240,000) are related to staff costs.

9. EARNINGS PER SHARE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Earnings		
Profit for the year attributable to owners of the Company	413,247	345,398
Less: Earnings attributable to convertible preference shares	<u>(179,391)</u>	<u>(149,938)</u>
Earnings for the purpose of basic earnings per share	233,856	195,460
Add: Earnings attributable to convertible preference shares	<u>179,391</u>	<u>149,938</u>
Earnings for the purpose of diluted earnings per share	<u><u>413,247</u></u>	<u><u>345,398</u></u>
	2021 <i>'000</i>	2020 <i>'000</i>
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	<u>1,115,868</u>	<u>1,115,868</u>
Weighted average number of shares for the purpose of diluted earnings per share	<u><u>2,570,520</u></u>	<u><u>2,570,520</u></u>

10. TRADE RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	4,466,259	3,156,574
Less: Allowance for credit losses	<u>(80,472)</u>	<u>(46,538)</u>
Trade receivables	<u><u>4,385,787</u></u>	<u><u>3,110,036</u></u>

As at 1 January 2020, trade receivables from contracts with customers amounted to HK\$2,087,415,000.

The following is the aging analysis of trade receivables, net of allowance for credit losses, based on the invoice dates at the end of reporting period with approximately the respective revenue recognition dates:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	1,361,470	1,847,405
31–60 days	962,161	661,307
61–90 days	334,596	177,991
91–180 days	325,960	285,422
181–365 days	1,189,158	77,526
Over 1 year	212,442	60,385
	4,385,787	3,110,036

The Group allows a credit period ranging from 30–180 days to its third party trade customers. As at 31 December 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$1,541,802,000 (2020: HK\$494,195,000) which are past due but not impaired as at the reporting date. Out of the past due balances, HK\$1,003,648,000 (2020: HK\$70,495,000) has been past due 90 days or more and is not considered as in default as there has not been a significant change in credit quality and the amounts are still considered fully recoverable.

11. TRADE AND BILLS PAYABLES

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

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	2,988,140	2,758,239
31–60 days	1,788,474	1,626,687
61–90 days	737,896	292,518
91–180 days	1,669,499	723,689
181–365 days	556,546	175,579
Over 1 year	99,169	45,604
	7,839,724	5,622,316

The credit period on purchase of goods is ranging from 30–120 days (2020: 30–120 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

At 31 December 2021, the Group has trade and bills payables under supply chain financing arrangements of HK\$3,149,064,000 (2020: HK\$1,728,850,000) through financial institutions with an extended payment period.

12. DIVIDENDS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
2020 Final — HK5 cents per share		
(2020: 2019 Final — HK4 cents per share)	<u>128,526</u>	<u>102,821</u>

The directors recommend the payment of a final dividend of HK5 cents (2020 Final: HK5 cents) per share in respect of the year ended 31 December 2021 which is subject to approval by the shareholders in the forthcoming annual general meeting.

CHAIRMAN’S STATEMENT

Dear Shareholders,

In 2021, the Coronavirus Disease 2019 epidemic (“COVID-19 epidemic”) kept disturbing the global economy. However, the group grasped the market opportunities, strengthened risk control, continued to operate steadily and achieved stable performance.

BUSINESS REVIEW

In 2021, the economic development of world’s major economies was gradually returning to the right track. However, the economic recovery process has been hindered due to the continuous recurrence of the COVID-19 pandemic. The global inflation level has remained high, and the global supply chain has encountered difficulties. In the face of a complex and severe international environment and the domestic epidemic outbreak, China has scientifically coordinated epidemic prevention and control and economic and social development, and the national economy has continued to recover and develop, achieving a good start to the “14th Five-Year Plan”. In response to multiple challenges such as recurrence of epidemics, industry changes and shortage of supply chain, in 2021, the Group strived to explore and innovate, so as to promote the sustainable and healthy development of the industry and achieve stable performance. At the same time, with the business strategy of “deeply ploughing demands, empowering with intelligence and jointing good partners”, the Group gradually improved the planning of mainstream cloud resources, established in-depth cooperation with leading manufacturers, and explored new opportunities and models in newly developed areas such as cloud computing, virtual reality, data intelligence, the Internet of Things and digital energy. The Group constantly deployed new environments to actively promote the strategic transformation to an ICT comprehensive service provider.

In 2021, the Group recorded an income of about HK\$44,558.17 million, up by 10.34% over the same period of the previous fiscal year; gross margin in 2021 was 2.96%, up by about 0.29 percentage point from the same period of the previous fiscal year, mainly due to the change in sales contribution of the product line. The profit attributable to shareholders in 2021 was approximately HK\$413.25 million, up by about 19.64% over the same period of the previous fiscal year and the basic earnings per share was HK\$16.08 cents, up by HK\$2.64 cents from HK\$13.44 cents in the same period of the previous fiscal year.

The Group continuously consolidated basic management and strengthened digital and intelligent systems construction and business process transformation and optimization and built an intelligent business system so as to improve operation efficiency and enable business innovation and strive to provide customers with intelligent services with increased efficiency and convenience. The Group continued to reinforce risk management and control, insisted on strict inventory management, credit management and receivable management, reasonably allocate funds, and accelerated fund turnover in a bid to ensure the safety and efficiency of working capital. The Group continued its efforts to tighten expense control, and research and development cost increased compared with the same period of last year, mainly due to the increase in the development costs of the information system; the distribution and sales expenses increased compared with the same period of last year, mainly due to the increase in labor costs; the financing cost rose compared with the same period of last year due to the increase of financing scale.

As at 31 December 2021, the turnover and profits of the three operating segments of the Company were analyzed as follows (RMB exchange rate fluctuations may affect the number/percentage of segments):

ICT consumer product distribution business: The business segment continued to strengthen online and offline comprehensive cooperation with core manufacturers and established cooperation models and marketing models to deepen the integration development of online and offline channels; with the continuously improving comprehensive service capability and operational efficiency, the business segment strived for advantageous product lines, seized market opportunities during the special time and overcame the difficulty of insufficient supply, and result in a significant increase in income. The business's turnover increased by 38.00% to HK\$19,670.73 million over the same period of last year, and its profit increased by 22.74% to HK\$324.75 million.

ICT corporate product distribution business: In response to challenges such as changes in the industry structure, the business segment focused on customer needs, stably developed international brand business, actively expanded domestic brand products, strengthened the construction of technical teams, improved technical service levels, and supported government and enterprise customers to achieve digital transformation. The business has achieved positive growth. At the same time, the business continued to promote the construction of system design capabilities and service delivery capabilities of industry solutions including cloud computing, big data and virtual reality, expanded new business and fields, and sought new development with leading manufacturers. The business's turnover increased by 24.92% to HK\$12,520.45 million over the same period of last year, and its profit increased by 10.59% to HK\$375.64 million.

Other businesses: Due to the decline of sales in smartphones, the business's turnover decreased by 23.21% over the same period of last year to HK\$12,366.99 million; however, due to the significant increase in gross profit of ICT service business, the profit from the business has risen by 30.06% to HK\$119.01 million.

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

With effect from 8 April 2021, in order to devote more time to their other business commitments, Mr. Zhao Yong has resigned as the chairman of the Board, an executive Director and the chairman of the nomination committee of the Company, and Mr. Yang Jun has resigned as an executive Director. With effect from 8 April 2021, Mr. Zhu Jianqiu has been appointed as the chairman of the Board and the chairman of the nomination committee of the Company, and Mr. Pan Xiaoyong and Mr. Zhang Xiaolong have been appointed as executive Directors. With effect from 20 October 2021, due to his other business commitment, Mr. Luo Yongping has resigned as an executive Director, and Mr. Zhou Jiachao has been appointed as an executive Director. For further details, please refer to the announcements of the Company dated 8 April 2021 and 20 October 2021.

OUTLOOK

Looking forward to 2022, the impact of the global epidemic will continue, the international situation will become more complex and severe, the global economic recovery will face a huge challenge, and the external uncertainty of China's economic development will increase. In 2022, China will face the triple pressure of shrinking demand, supply shock, and weakening expectations. It will further strengthen the support of macroeconomic policy, base itself on the new development stage, accelerate the construction of new development patterns, and strive to keep the economy operating within a reasonable range and promote high-quality development. With the rapid development of digital technology, the digital economy has flourished and has been deeply integrated into all aspects of economic and social development and has become a key driver for stimulating economic growth, alleviating downward pressure on the economy and driving economic recovery. China's "14th Five-Year Plan for Digital Economy Development" establishes development goals. By 2025, China's digital economy will enter a period of comprehensive expansion, and the added value of the core industries of the digital economy will account for 10% of GDP. In 2022, the Group will follow the development trend of the digital economy and take "new cognition, new kinetic energy, and smart partner" as its business policy. In the era of rapid development of digital intelligence, the Group will continue to learn new knowledge, master new technologies, and generate new kinetic energy with new cognition, focus and deepen in key areas of future digital industries such as cloud, network, data, intelligence, virtual reality, etc., unswervingly develop new driving forces, build new capabilities, create unique value, and empower good partners to seize new opportunities and develop new opportunities together, join hands to win new growth and new success in the future, and make greater contributions to shareholders.

ZHU Jianqiu

Chairman

30 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL SUMMARY

- Revenue for the year ended 31 December 2021 was approximately HK\$44,558.17 million (2020: HK\$40,381.30 million), representing an increase of 10.34% as compared with the previous year. This increase was mainly attributable to the growth of ICT consumer products and ICT corporate products sales.
- Profit for the year ended 31 December 2021 was approximately HK\$413.25 million (2020: HK\$345.40 million), representing an increase of 19.64% as compared with the previous year. This increase was mainly attributable to the increase in revenue with gross margin climbing.
- Total comprehensive income for the year ended 31 December 2021 was approximately HK\$500.64 million (2020: HK\$512.18 million). This decrease was mainly attributable to the fluctuations in the Renminbi exchange rate.

LIQUIDITY AND FINANCIAL RESOURCES

For the year ended 31 December 2021, the Group's financial and liquidity positions remained healthy and stable. As at 31 December 2021, the aggregate outstanding borrowings of the Group were approximately HK\$1,179.68 million (2020: HK\$2,195.45 million), which were unsecured and interest bearing. The decrease in the Group's borrowings was due to the decrease in demand of payment as compared with the corresponding period of last year. The Group's cash and bank balances amounted to approximately HK\$3,394.84 million (2020: HK\$3,287.36 million), together with trade and bills receivables amounting to approximately HK\$4,444.82 million (2020: HK\$3,528.45 million). For the year ended 31 December 2021, the Group's net current assets amounted to approximately HK\$2,611.74 million (2020: HK\$2,247.13 million) and the Group did not have any charges on its fixed assets (2020: Nil). The net gearing ratio (total net debt/total shareholders' equity) of the Group as at 31 December 2021 was 3.65 times (2020: 3.75 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.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

The Group's monetary assets and liabilities and transactions are principally denominated in Renminbi, Hong Kong dollars and United States dollars. As the fluctuation range of Renminbi exchange rate spread is relatively small 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 Group will continue to monitor the situation and assess whether any hedging arrangement is necessary.

As at 31 December 2021, the Group did not have any foreign currency investments which have been hedged by currency borrowings and other hedging instruments.

TREASURY POLICY

Cash and bank deposits of the Group are mainly denominated in Renminbi, Hong Kong dollars and United States dollars. The Group conducts its core business transaction mainly in Renminbi, Hong Kong dollars and United States dollars. The Group did not use any derivative instruments to hedge its foreign currency exposure as the Group considered its foreign currency exposure is insignificant.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2021, the total number of the Group's staff was 1,309 (2020: 1,259 staff). For the year ended 31 December 2021, total staff costs (including Directors) amounted to approximately HK\$430.24 million (2020: HK\$319.17 million). The Group remunerates its employees based on their performance, experience and the prevailing industry practice. The remuneration of executive Directors is determined based on the Company's financial position in a fixed sum; whereas the remuneration of independent non-executive Directors is determined with reference to the prevailing market conditions and the workload. The Group provides retirement benefit for its employees in Hong Kong in the form of mandatory provident fund, and pays social pension insurance and housing provident fund for its employees in China in accordance with the local laws and regulations.

During the year ended 31 December 2021, there were no outstanding share options adopted by the Company granted or exercised.

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

CAPITAL STRUCTURE

The Group manages its capital structure to ensure optimal structure and shareholder returns, and uses its capital to promote its business development, ultimately increasing revenue and margins in the Information and Communication Technology (“ICT”) distribution and Services business. Further capital may be used to increase its business diversification.

Capital of the Group comprises all components of equity, cash and bank balances and loans from major shareholders of the Company (the “Shareholders”) or related companies.

Loans from major Shareholders or related companies are mainly for the purpose of supporting the daily operations of the Group.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any significant investments, acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2021.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCES OF FUNDING

The Group will continue to devote to the ICT distribution business and ICT comprehensive service while exploring new business opportunities that would enhance its businesses. No concrete plan for future investments is in place as at the date of this announcement.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any material contingent liabilities.

EVENTS OCCURRED AFTER THE END OF THE FINANCIAL YEAR

There were no significant events occurred that might affect the Group after 31 December 2021.

FINAL DIVIDEND

The Board recommended the payment of final dividend of HK\$0.05 per share of the Company (the “Share(s)”) in respect of the year ended 31 December 2021 (2020: HK\$0.05 per Share), amounting to HK\$128,526,000 (calculated based on 1,454,652,000 ordinary shares in issue and 1,115,868,000 preference shares in issue on 30 March 2022), and there is no arrangement that a Shareholder has waived or agreed to waive any dividend. The final dividend is expected to be paid on Friday, 24 June 2022 to all Shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 8 June 2022 and is subject to approval by the Shareholders at the forthcoming annual general meeting of the Company (the “AGM”).

CLOSURE OF REGISTER OF MEMBERS FOR THE AGM

The AGM is scheduled to be held on Friday, 27 May 2022. The Company’s register of members will be closed from Tuesday, 24 May 2022 to Friday, 27 May 2022, 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 Monday, 23 May 2022.

CLOSURE OF REGISTER OF MEMBERS FOR THE PROPOSED FINAL DIVIDEND

The Company’s register of members will be closed from Monday, 6 June 2022 to Wednesday, 8 June 2022, both days inclusive, for the purpose of determining the entitlements of the Shareholders to the proposed final dividend of HK\$0.05 per Share for the year ended 31 December 2021, 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 Thursday, 2 June 2022.

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

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the then prevailing corporate governance code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") which sets out corporate governance principles and code provisions (the "Code Provisions"). Throughout the year ended 31 December 2021, the Company has complied with all the Code Provisions as set out under the CG Code, except the following deviation:

Code provision A.2.1 (which has been re-arranged as code provision C.2.1 since 1 January 2022) of the CG Code stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. As Mr. ZHU Jianqiu serves as both the chairman of the Board and the president with effect from 8 April 2021, such practice deviates from code provision A.2.1 of the CG Code. Although the roles of chairman of the Board and president are performed by the same individual, all material decisions have been made in consultation with members of the Board as well as senior management. The Board has three independent non-executive Directors who offer different independent perspectives. Therefore, the Board is of the view that there is adequate balance of power and safeguards in place.

CODE OF CONDUCT FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' dealings in securities of the Company (the "Code of Conduct"). Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standards as set out in the Code of Conduct throughout the year ended 31 December 2021.

REVIEW OF ANNUAL RESULTS

The annual results for the year ended 31 December 2021 have been reviewed and agreed by the audit committee of the Company.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND 2021 ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.changhongit.com). The 2021 annual report will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in April 2022.

By order of the Board
Changhong Jiahua Holdings Limited
Zhu Jianqiu
Chairman

Hong Kong, 30 March 2022

As at the date of this announcement, the executive Directors are Mr. Zhu Jianqiu, Mr. Pan Xiaoyong, Mr. Zhang Xiaolong and Mr. Zhou Jiachao and the independent non-executive Directors are Mr. Jonathan Chan Ming Sun, Mr. Gao Xudong and Mr. Meng Qingbin.