

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**Changhong Jiahua Holdings Limited**

**長虹佳華控股有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 3991)**

**ANNOUNCEMENT OF INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

**UNAUDITED INTERIM RESULTS**

The board of directors of the Company (the “**Board**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 30 June 2022 together with the unaudited comparative figures for the corresponding period in 2021 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**

*For the six months ended 30 June 2022*

	<i>Note</i>	<b>2022</b> <i>HK\$’000</i> <b>(Unaudited)</b>	2021 <i>HK\$’000</i> <b>(Unaudited)</b>
Revenue	3	<b>17,906,448</b>	22,286,324
Cost of sales		<b>(17,352,949)</b>	(21,700,058)
Gross profit		<b>553,499</b>	586,266
Other income		<b>33,335</b>	25,027
Research and development expenses		<b>(17,939)</b>	(16,972)
Administrative expenses		<b>(97,858)</b>	(80,862)
Impairment loss on trade receivables, net		<b>(8,829)</b>	(14,598)
Exchange gain/(loss), net		<b>371</b>	(3,699)
Distribution and selling expenses		<b>(165,407)</b>	(180,443)
Finance costs		<b>(82,754)</b>	(76,443)

	<i>Notes</i>	<b>2022</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2021 <i>HK\$'000</i> (Unaudited)
<b>Profit before tax</b>	5	<b>214,418</b>	238,276
Income tax expense	6	<u><b>(39,228)</b></u>	<u>(52,976)</u>
<b>Profit for the period attributed to owners of the Company</b>		<u><b>175,190</b></u>	<u>185,300</u>
<b>Other comprehensive (expense)/income</b> <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><b>(149,294)</b></u>	<u>31,991</u>
<b>Total comprehensive income for the period attributable to owners of the Company</b>		<u><b>25,896</b></u>	<u>217,291</u>
<b>Earnings per share</b>			
Basic and diluted ( <i>HK cents</i> )	7	<u><b>6.82</b></u>	<u>7.21</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2022*

	<i>Notes</i>	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Plant and equipment		4,870	5,668
Intangible assets		18,876	21,661
Right-of-use assets		12,409	12,524
Financial asset at fair value through profit or loss		<u>28,941</u>	<u>35,196</u>
		<b>65,096</b>	75,049
<b>CURRENT ASSETS</b>			
Inventories		3,745,982	3,667,994
Trade and bills receivables	8	5,430,817	4,385,787
Bills receivables at fair value through other comprehensive income		50,439	59,030
Prepayments, deposits and other receivables		213,300	189,568
Amounts due from related companies		3,887	8,306
Trade deposits paid		731,714	690,871
Pledged bank deposits		1,771,586	2,687,475
Bank balances and cash		<u>90,000</u>	<u>707,365</u>
		<b>12,037,725</b>	12,396,396
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	9	6,714,444	7,839,724
Other payables		395,402	445,043
Tax payables		15,092	12,046
Borrowings	10	2,144,711	1,179,675
Amount due to related companies		36,910	22,585
Contract liabilities		203,769	276,973
Lease liabilities		<u>10,699</u>	<u>8,612</u>
		<b>9,521,027</b>	9,784,658
<b>NET CURRENT ASSETS</b>		<u><b>2,516,698</b></u>	<u>2,611,738</u>

	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b><u>2,581,794</u></b>	<u>2,686,787</u>
<b>NON-CURRENT LIABILITIES</b>		
Government grants	1,282	1,341
Lease liabilities	<u>2,882</u>	<u>5,186</u>
	<b><u>4,164</u></b>	<u>6,527</u>
<b>NET ASSETS</b>	<b><u><u>2,577,630</u></u></b>	<u><u>2,680,260</u></u>
<b>CAPITAL AND RESERVES</b>		
Share capital	36,366	36,366
Convertible preference shares	27,897	27,897
Reserves	<u>2,513,367</u>	<u>2,615,997</u>
<b>TOTAL EQUITY</b>	<b><u><u>2,577,630</u></u></b>	<u><u>2,680,260</u></u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

*For the six months ended 30 June 2022*

## 1. GENERAL

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 principal activities of its subsidiaries (together with the Company, the “**Group**”) are set out in Note 4 below.

The functional currency of the Company is Renminbi (“**RMB**”) and the condensed 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 Electric Co., Limited (“**Sichuan Changhong**”), a company incorporated in the People’s Republic of China (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 90% owned by the State-owned Assets Supervision and Administration Commission of the Mianyang city government and one of the Controlling Shareholders) 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 30 June 2022. The Company’s immediate holding company is Fit Generation, a private company incorporated in the British Virgin Islands.

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements of the Group and selected explanatory notes has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and by the Hong Kong Companies Ordinance, including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

The condensed consolidated results for the six months ended 30 June 2022 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 2021 Consolidated Financial Statements, except for the amendments and interpretations of Hong Kong Financial Reporting Standards issued by HKICPA which have become effective in this period as detailed in the notes of the 2021 Consolidated Financial Statements.

### 3. REVENUE

The principal activities of the Group are the provision of professional integrated Information and Communication Technology (“ICT”) solutions and services, and distribution of ICT consumer products, ICT corporate products, smartphones, own brand products and related parts and components.

The amounts of each significant category of revenue recognised in revenue for the six months ended 30 June 2022 and 2021 are as follows:

	For the six months ended	
	30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Revenue</b>		
ICT Consumer Products	9,504,415	8,593,024
ICT Corporate Products	5,138,700	5,490,424
Others	3,263,333	8,202,876
	<u>17,906,448</u>	<u>22,286,324</u>

### 4. 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:

- (a) ICT Consumer Products — distribution of ICT consumer products which include mainly personal computers, digital products and IT accessories.
- (b) 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.
- (c) 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.

Segment profit represents the profit earned by each segment without allocation of other income, research and development expenses, finance costs, exchange gain/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.

The following is an analysis of the Group's revenue and results by reportable and operating segment for the six months ended 30 June 2022 and 2021:

	For the six months ended 30 June 2022			
	ICT	ICT		Total
	Consumer	Corporate	Others	
	Products	Products		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Revenue</b>				
External sales	<u>9,504,415</u>	<u>5,138,700</u>	<u>3,263,333</u>	<u>17,906,448</u>
<b>Segment profit</b>	<u>171,192</u>	<u>182,026</u>	<u>26,045</u>	<u>379,263</u>
Other income				33,335
Research and development expenses				(17,939)
Administrative expenses				(97,858)
Exchange gain, net				371
Finance costs				<u>(82,754)</u>
<b>Profit before tax</b>				<u><u>214,418</u></u>
	For the six months ended 30 June 2021			
	ICT	ICT		Total
	Consumer	Corporate	Others	
	Products	Products		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Revenue</b>				
External sales	<u>8,593,024</u>	<u>5,490,424</u>	<u>8,202,876</u>	<u>22,286,324</u>
<b>Segment profit</b>	<u>142,854</u>	<u>185,133</u>	<u>63,238</u>	<u>391,225</u>
Other income				25,027
Research and development expenses				(16,972)
Administrative expenses				(80,862)
Exchange loss, net				(3,699)
Finance costs				<u>(76,443)</u>
<b>Profit before tax</b>				<u><u>238,276</u></u>

## Geographical information

The following provides an analysis of the Group's sales by geographical market for the six months ended 30 June 2022 and 2021, based on the origin of the goods:

	For the six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Mainland China	17,849,415	22,251,615
Other regions	57,033	34,709
	<u>17,906,448</u>	<u>22,286,324</u>

## 5. PROFIT FOR THE PERIOD

The Group's profit for the period has been arrived at after charging for the six months ended 30 June 2022 and 2021:

	For the six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Cost of inventories sold	17,352,949	21,700,058
Depreciation of property plant and equipment	956	1,012
Depreciation of right-of-use assets	6,048	4,315
Staff cost including directors' emolument		
— Salary and related staff cost	165,593	164,856
— Retirement benefits scheme contribution	36,779	30,165
Exchange (gain)/loss, net	(371)	3,699

## 6. INCOME TAX EXPENSE

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

Under the two-tiered profits tax rates regime in Hong Kong, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million 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%. Accordingly, the profits tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

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 periods.



Beijing Jiacun Intelligent Cloud Technology Co., Ltd. (formerly known as “Beijing Changhong IT Intelligence System Co., Ltd”) operating in the PRC have 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 starting 2020, 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 six months ended 30 June 2022 and 2021. 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.

For the six months ended 30 June 2022 and 2021, Changhong IT Information Products Co., Ltd., Changhong IT Digital Technology Co., Ltd. and 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.

Under the Law of the Republic of Indonesia No.1 Year 2020, the tax rates of PT. Changhong Jiahua Information Technology Indonesia are 22% for both periods.

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

## 7. 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 six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Earnings</b>		
Profit for the period attributable to owners of the Company	<u><b>175,190</b></u>	<u>185,300</u>
	<b>2022</b>	2021
	<b>'000</b>	'000
<b>Number of Share</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 were no potentially dilutive shares during the six months ended 30 June 2022 and 30 June 2021, the diluted earnings per share was same as basic earnings per share.

## 8. TRADE AND BILLS RECEIVABLES

The Group allows a credit period ranging from 30 to 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. Credit limits attributed to customers are reviewed twice a year.

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

	As at <b>30 June</b> <b>2022</b> <i>HK\$'000</i> (Unaudited)	As at 31 December 2021 <i>HK\$'000</i> (Audited)
Within 30 days	<b>2,099,458</b>	1,361,470
31–60 days	<b>946,891</b>	962,161
61–90 days	<b>300,034</b>	334,596
91–180 days	<b>576,537</b>	325,960
181–365 days	<b>306,306</b>	1,189,158
Over 1 year	<b>1,201,591</b>	212,442
	<b><u>5,430,817</u></b>	<b><u>4,385,787</u></b>

## 9. TRADE AND BILLS PAYABLES

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

	As at <b>30 June</b> <b>2022</b> <i>HK\$'000</i> (Unaudited)	As at 31 December 2021 <i>HK\$'000</i> (Audited)
Within 30 days	<b>2,952,155</b>	2,988,140
31–60 days	<b>1,287,317</b>	1,788,474
61–90 days	<b>546,030</b>	737,896
91–180 days	<b>1,603,553</b>	1,669,499
181–365 days	<b>212,614</b>	556,546
Over 1 year	<b>112,775</b>	99,169
	<b><u>6,714,444</u></b>	<b><u>7,839,724</u></b>

The credit period on purchase of goods is ranging from 30 to 120 days (2021: 30 to 120 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

## 10. BORROWINGS

The following provides an analysis of the Group's borrowings:

	As at <b>30 June</b> <b>2022</b> <i>HK\$'000</i> (Unaudited)	As at 31 December 2021 <i>HK\$'000</i> (Audited)
Bank borrowings	<u><b>2,144,711</b></u>	<u>1,179,675</u>
Secured	<u><b>242,793</b></u>	<u>–</u>
Unsecured	<u><b>1,901,918</b></u>	<u>1,179,675</u>
	<u><b>2,144,711</b></u>	<u>1,179,675</u>
Carrying amount repayable within one year*	<u><b>2,144,711</b></u>	<u>1,179,675</u>

\* *The amounts due are based on scheduled repayment dates set out in the loan agreements.*

The range of effective interest rates (which are also equal to contracted interest rates) due in the Group's borrowings for the six months ended 30 June 2022 is fixed from 0.8252% to 4.38% (2021: 0.8688% to 5.38%).

## 11. DIVIDEND

	For the six months ended <b>30 June</b>	
	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Dividends recognised as distribution during the periods:		
2021 Final — HK\$0.05 (2021: 2020 Final — HK\$0.05) per share	<u><b>128,526</b></u>	<u>128,526</u>

The Board does not recommend the payment of any dividend for the six months ended 30 June 2022 (2021: Nil).

## CHAIRMAN’S STATEMENT

Dear Shareholders,

For the six months ended 30 June 2022, the global economy recovery has been hampered, and the Group continues its business operation in a prudent manner.

### BUSINESS REVIEW

In the first half of 2022, the global economy was hit by COVID-19 pandemic (“**COVID-19 pandemic**”), the Russia-Ukraine crisis, the disruption of supply chain and high inflation in major developed countries, resulting in a rapid deceleration in the economy of the World and the increasing risk of stagflation. In the first half of the year, China’s economy faced severe challenges such as the impact of the pandemic and the complex and changeable international situation, the overall performance of the economy showed a stabilizing and rebounding trend. The Group actively responded to the impact of the COVID-19 pandemic, poor logistics and shortage of supply chain, and strived to overcome difficulties to ensure smooth operation of each business segment and obtained stable profit in the first half of the year. On such basis, the Group seized new opportunities in the era of the Internet of Things and cloud applications, leveraged the advantages of omni-channel marketing and cloud service platforms, focused on upgrading core capabilities and innovating business models to promote strategic transformation and upgrade.

In the first half of 2022, the Group recorded a revenue of about HK\$17,906.45 million, down by 19.65% over the same period of the previous fiscal year; gross margin in the first half of 2022 was 3.09%, up by about 0.46 percentage point from the same period of the previous fiscal year. The profit attributable to shareholders in the first half of 2022 was approximately HK\$175.20 million, down by about 5.46% over the same period of the previous fiscal year and the basic earnings per share was HK\$6.82 cents, up by approximately of HK\$0.39 cents from HK\$7.21 cents in the same period of the previous fiscal year.

During the period, the Group continuously consolidated basic management and strengthened informatization construction and business process transformation and optimization and built an intelligent business system so as to improve operational efficiency and reduce operating costs, and as a result providing 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, allocated funds in a reasonable manner, and accelerated fund turnover in a bid to ensure the safety and efficiency of working capital. However, due to the substantial increase in revenue in June this year as compared with the same period of last year and the change in business structure in the first half of the year, the trade and bills receivable increased as compared with the same period of last year. The Group continued to enhance cost control, and administrative expenses were still higher than the same period of the last year, mainly because of the increase in expenses such as labor costs and stamp duty; research and development expenses increased compared with the same period of last year due to the increase in the development costs of information system; the distribution and sales expenses decreased compared with the same period of last year, mainly due to certain logistics expenses being included in the cost of sales; the financing expenses rose compared with the same period of last year due to the increase in financing scale.

For the six months ended 30 June 2022, the revenue and profits of the three operating segments of the Group were analyzed as follows (RMB exchange rate fluctuations may affect the number/percentage of segments):

**ICT consumer products distribution business:** The business segment strengthened the communication and cooperation with core manufacturers, strived to expand and diversify the featured product line, effectively resolved the adverse impact brought by the pandemic and occupied considerable market share through the integrated development of online and offline channels. Meanwhile, we innovated and leveraged the advantages of omni-channel marketing to connect and empower domestic brands, providing them with comprehensive solutions for full-chain brands from design, production, market, sales, and services and creating a full-chain service brand. The business's revenue increased by 10.61% to HK\$9,504.42 million over the same period of last year and the business segment's profit increased by 19.84% to HK\$171.19 million.

**ICT corporate products distribution business:** The business segment strengthened the cooperation with domestic brands and established in-depth cooperative relationships with leading manufacturers in the fields of communications and new energy. The Group strive to enhance the value of customer services in key industries and build an integrated business system of trade, service, technology, and research. The Group also integrated the resources of cloud manufacturers and digital transformation product and created a digitalized cloud ecological operating comprehensive service platform, to assist channel partners in fulfilling the needs of customers through diversified solutions in a one-stop manner. Due to the pandemic and logistic disruptions in key areas during the period, delivery of products for certain projects were delayed, the business’s revenue decreased by 6.41% to HK\$5,138.70 million over the same period of last year, and the business segment’s profit decreased by 1.67% to HK\$182.03 million.

**Other businesses:** Due to the decrease in sales of smartphones, the business segment’s revenue decreased 60.22% over the same period of last year to HK\$3,263.33 million, and the profit decreased by 58.82% to HK\$26.04 million.

## **OUTLOOK**

In the second half of 2022, the growth of the global economy is expected to decline because of the continuous impact brought by the Russia-Ukraine conflict, the COVID-19 pandemic and global supply chain issues. The recovery of China’s economy is exposed to instability and uncertainty, with the impact of the pandemic receding and the implementation of policies and measures to stabilize the growth, the economic operation is expected to return to a reasonable range. The digital economy is an essential requirement for the high-quality development of China’s economy, various regions have issued the “14th Five-Year Plan” policies and measures to accelerate the development of digital economy. The digital industry will maintain a healthy growth trajectory and strong momentum for economic development. In the second half of 2022, the Group continues to adhere to the business policy of “new cognition, new kinetic energy, and smart partner” and grasp the new trend of digital economy development, focus in key areas of digital industries such as cloud, network, data, intelligence, virtual reality, etc., explore new models, develop new kinetic energy and continue to promote strategic transformation and upgrades to keep creating value for shareholders.

**ZHU Jianqiu**  
*Chairman*

10 August 2022

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL SUMMARY**

- Revenue for the six months ended 30 June 2022 was approximately HK\$17,906.45 million (2021: HK\$22,286.32 million), representing a decrease of 19.65% as compared with the previous period. The decrease was mainly due to the decline in the sales scale of smartphones.
- Profit for the six months ended 30 June 2022 was approximately HK\$175.19 million (2021: HK\$185.30 million), representing a decrease of 5.46% as compared with the previous period. The decrease was mainly due to the decline in revenue.
- Total comprehensive income for the six months ended 30 June 2022 was approximately HK\$25.90 million (2021: HK\$217.29 million). This decrease was mainly due to the fluctuations in the RMB exchange rate.

### **LIQUIDITY AND FINANCIAL RESOURCES**

For the period under review, the Group's financial and liquidity positions remained healthy and stable. As at 30 June 2022, the Group's total interest-bearing borrowings amounted to approximately HK\$2,144.71 million and its cash and bank balances amounted to approximately HK\$90.00 million. Net current assets of the Group was approximately HK\$2,516.70 million. The net gearing ratio (total net debt/total shareholders' equity) of the Group as at 30 June 2022 was 3.70 times. The management is confident that the Group's financial resources is sufficient for its daily operations.

### **PLEDGE OF ASSETS**

The Group did not have any mortgage or charge over its fixed assets as at 30 June 2022 (2021: Nil).

### **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 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 Group will continue to monitor the situation and assess whether any hedging arrangement is necessary.

As at 30 June 2022, 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 either 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.

## CONTINGENT LIABILITIES

As at 30 June 2022 and 31 December 2021, 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 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 banks in the PRC. As a result, the relevant assets and liabilities were not recognized in 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:

	<b>As at 30 June 2022 HK\$'000 (Unaudited)</b>	<b>As at 31 December 2021 HK\$'000 (Audited)</b>
Settlement of trade and other payables	<b>266,822</b>	436,058
Discounted bills for raising of cash	<b>1,348,603</b>	945,176
Outstanding endorsed and discounted bills receivables with recourse	<b>1,615,425</b>	1,381,234

The outstanding endorsed and discounted bills receivables are aged within 360 days at the end of the reporting period (2021: 360 days).

## 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 six months ended 30 June 2022.



## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

As at 30 June 2022, the Group had no material capital commitments and no future plans for material investments or capital assets.

## **EVENTS AFTER THE REPORTING PERIOD**

Save as disclosed above, there are no significant events that might affect the Group after the reporting period up to the date of this announcement.

## **EMPLOYMENT AND REMUNERATION POLICY**

As at 30 June 2022, the total number of the Group's staff was 1,316 (as at 30 June 2021: 1,330). The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group provides retirement benefit for its employees in Hong Kong in 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.

## **DIVIDEND**

The Board does not recommend the payment of any dividend for the six months ended 30 June 2022 (2021: Nil).

The payment of a final dividend of HK\$0.05 per ordinary share and preference share for the year ended 31 December 2021, totaling approximately HK\$128.53 million, had been resolved at the annual general meeting of the Company held on 27 May 2022 and the payment was made on 24 June 2022.

## **PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company has adopted the corporate governance code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules which sets out corporate governance principles and code provisions (the "**Code Provisions**"). Throughout the six months period ended 30 June 2022, the Company has complied with all the Code Provisions as set out under the CG Code, except the following deviations:

Code Provision C.2.1 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, such practice deviates from code provision C.2.1 of the CG Code. Although the roles of chairman of the Board and president are performed by the same individual, all major decisions have been made in consultation with members of the Board as well as senior management. The Board comprises 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.

## **DIRECTOR'S SECURITIES TRANSACTIONS**

The Company has adopted the model code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (“**Model Code**”) as its own code of conduct regarding Directors’ dealings in securities of the Company.

Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the Model Code during the six months ended 30 June 2022.

## **REVIEW OF INTERIM RESULTS**

The unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2022 has not been reviewed or audited by the auditor of the Company but has been reviewed by the audit committee of the Company.

## **PUBLICATION OF INTERIM RESULTS AND 2022 INTERIM REPORT**

This interim results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.changhongit.com](http://www.changhongit.com)). The 2022 interim report will be dispatched to the Shareholders and published on the websites of the Stock Exchange and the Company in September 2022.

By order of the Board  
**Changhong Jiahua Holdings Limited**  
**Zhu Jianqiu**  
*Chairman and Executive Director*

Hong Kong, 10 August 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.*