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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)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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 2023 together with the unaudited comparative figures for the corresponding period in 2022 as follows:

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

For the six months ended 30 June 2023

	<i>Note</i>	2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)
Revenue	3	16,960,784	17,906,448
Cost of sales		(16,368,847)	(17,352,949)
Gross profit		591,937	553,499
Other income		48,325	33,335
Research and development expenses		(13,789)	(17,939)
Administrative expenses		(83,595)	(97,858)
Impairment loss on trade receivables, net		(17,060)	(8,829)
Exchange (loss)/gain, net		(6,279)	371
Distribution and selling expenses		(188,098)	(165,407)
Finance costs		(125,682)	(82,754)

	<i>Notes</i>	2022 HK\$'000 (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Profit before tax	5	205,759	214,418
Income tax expense	6	<u>(41,281)</u>	<u>(39,228)</u>
Profit for the period attributed to owners of the Company		<u>164,478</u>	<u>175,190</u>
Other comprehensive (expense)/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>(111,936)</u>	<u>(149,294)</u>
Total comprehensive income for the period attributable to owners of the Company		<u>52,542</u>	<u>25,896</u>
Earnings per share			
Basic and diluted (<i>HK cents</i>)	7	<u>6.40</u>	<u>6.82</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	<i>Notes</i>	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Plant and equipment		3,320	4,158
Intangible assets		14,950	17,370
Right-of-use assets		16,194	9,637
Deferred tax assets		2,429	–
Financial asset at fair value through profit or loss		<u>36,795</u>	<u>33,051</u>
		<u>73,688</u>	<u>64,216</u>
CURRENT ASSETS			
Inventories		3,905,894	5,284,511
Trade receivables	8	4,506,047	4,224,190
Bills receivables at fair value through other comprehensive income		144,200	46,159
Prepayments, deposits and other receivables		291,662	302,654
Amounts due from related companies		759	621
Trade deposits paid		471,557	461,517
Pledged bank deposits		3,503,387	5,211,209
Bank balances and cash		<u>936,149</u>	<u>355,687</u>
		<u>13,759,655</u>	<u>15,886,548</u>
CURRENT LIABILITIES			
Trade and bills payables	9	5,330,324	5,128,275
Bills payables under supplier chain financing		2,884,577	4,974,790
Other payables		407,292	323,428
Tax payables		14,037	18,985
Borrowings	10	2,320,894	2,548,366
Amount due to related companies		64,027	59,453
Contract liabilities		239,336	256,029
Lease liabilities		<u>8,857</u>	<u>6,105</u>
		<u>11,269,344</u>	<u>13,315,431</u>
NET CURRENT ASSETS		<u>2,490,311</u>	<u>2,571,117</u>

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>2,563,999</u>	<u>2,635,333</u>
NON-CURRENT LIABILITIES		
Government grants	–	790
Deferred tax liabilities	2,429	–
Lease liabilities	<u>7,591</u>	<u>4,579</u>
	<u>10,020</u>	<u>5,369</u>
NET ASSETS	<u><u>2,553,979</u></u>	<u><u>2,629,964</u></u>
CAPITAL AND RESERVES		
Share capital	36,366	36,366
Convertible preference shares	27,897	27,897
Reserves	<u>2,489,716</u>	<u>2,565,701</u>
TOTAL EQUITY	<u><u>2,553,979</u></u>	<u><u>2,629,964</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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) 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 2023. 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 2023 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 2022 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 2022 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 2023 and 2022 are as follows:

	For the six months ended	
	30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue		
ICT Consumer Products	8,052,248	9,504,415
ICT Corporate Products	5,550,778	5,138,700
Others	3,357,758	3,263,333
	<u>16,960,784</u>	<u>17,906,448</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 2023 and 2022:

	For the six months ended 30 June 2023			
	ICT	ICT		
	Consumer	Corporate	Others	Total
	Products	Products		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue				
External sales	<u>8,052,248</u>	<u>5,550,778</u>	<u>3,357,758</u>	<u>16,960,784</u>
Segment profit	<u>159,615</u>	<u>191,625</u>	<u>35,539</u>	<u>386,779</u>
Other income				48,325
Research and development expenses				(13,789)
Administrative expenses				(83,595)
Exchange loss, net				(6,279)
Finance costs				<u>(125,682)</u>
Profit before tax				<u>205,759</u>
	For the six months ended 30 June 2022			
	ICT	ICT		
	Consumer	Corporate	Others	Total
	Products	Products		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue				
External sales	<u>9,504,415</u>	<u>5,138,700</u>	<u>3,263,333</u>	<u>17,906,448</u>
Segment profit	<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>
Profit before tax				<u>214,418</u>

Geographical information

The following provides an analysis of the Group's sales by geographical market for the six months ended 30 June 2023 and 2022, based on the origin of the goods:

	For the six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Mainland China	16,839,317	17,849,415
Other regions	121,467	57,033
	<u>16,960,784</u>	<u>17,906,448</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 2023 and 2022:

	For the six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Cost of inventories sold	16,368,847	17,352,949
Depreciation of property plant and equipment	891	956
Depreciation of right-of-use assets	5,890	6,048
Staff cost including directors' emolument		
— Salary and related staff cost	147,364	165,593
— Retirement benefits scheme contribution	39,564	36,779
Exchange loss/(gain), net	6,279	(371)

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. The profits derived by the subsidiary are subject to 25% EIT rate for the six months ended 30 June 2023.

For the six months ended 30 June 2023 and 2022, 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.

Under the Law of the Republic of the Philippines Republic Act No. 11534 — Corporate Recovery and Tax Incentives for Enterprises Act, the tax rate of Changhong Jiahua Information Technology Philippines Inc. is 25% for the six months ended 30 June 2023.

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:

	For the six months ended	
	30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to owners of the Company	<u>164,478</u>	<u>175,190</u>
	2023	2022
	'000	'000
Number of Share		
Weighted average number of ordinary shares and convertible preference shares for the purpose of basic and diluted earnings per share	<u>2,570,520</u>	<u>2,570,520</u>

As there were no potentially dilutive shares during the six months ended 30 June 2023 and 30 June 2022, the diluted earnings per share was same as basic earnings per share.

8. TRADE 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 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 30 June 2023 <i>HK\$'000</i> (Unaudited)	As at 31 December 2022 <i>HK\$'000</i> (Audited)
Within 30 days	1,482,957	1,288,210
31–60 days	715,416	790,146
61–90 days	375,683	339,586
91–180 days	568,717	505,022
181–365 days	387,032	254,508
Over 1 year	976,242	1,046,718
	4,506,047	4,224,190

9. TRADE AND BILLS PAYABLES/BILLS PAYABLES UNDER SUPPLIER CHAIN FINANCING

	As at 30 June 2023 <i>HK\$'000</i> (Unaudited)	As at 31 December 2022 <i>HK\$'000</i> (Audited)
Trade and bills payables	5,330,324	5,128,275
Bills payables under supplier chain financing	2,884,577	4,974,790
	8,214,901	10,103,065

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

	As at 30 June 2023 <i>HK\$'000</i> (Unaudited)	As at 31 December 2022 <i>HK\$'000</i> (Audited)
Within 30 days	1,158,849	1,454,234
31–60 days	295,118	363,357
61–90 days	90,272	136,621
91–180 days	139,150	100,730
181–365 days	77,856	42,238
Over 1 year	82,733	110,610
	<u>1,843,978</u>	<u>2,207,790</u>

The credit period on purchase of goods is ranging from 30 to 120 days (2022: 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 30 June 2023 <i>HK\$'000</i> (Unaudited)	As at 31 December 2022 <i>HK\$'000</i> (Audited)
Bank borrowings	<u>2,320,894</u>	<u>2,548,366</u>
Secured	<u>8,130</u>	<u>204,207</u>
Unsecured	<u>2,312,764</u>	<u>2,344,159</u>
	<u>2,320,894</u>	<u>2,548,366</u>

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 2023 is fixed from 2.6422% to 5.66% (2022: 0.83% to 5.35%).

11. DIVIDEND

	For the six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividends recognised as distribution during the periods:		
2022 Final — HK\$0.05 (2022: 2021 Final — HK\$0.05) per share	<u>128,526</u>	<u>128,526</u>

The Board does not recommend the payment of any dividend for the six months ended 30 June 2023 (2022: Nil).

CHAIRMAN'S STATEMENT

Dear Shareholders,

For the six months ended 30 June 2023, despite multiple challenges to global economic recovery, the Group maintained its stable operation and performance.

BUSINESS REVIEW

Global economic growth slowed down in the first half of 2023, and the outlook for economic recovery remained bleak due to factors such as the prolonged COVID-19 pandemic, the Ukraine crisis, climate change and high inflation. During the first half of the year, although China's economy and society fully resumed normal operation, it experienced unbalanced recovery and there remained a lack of market demand. In the face of the complex and grim economic environment and challenges in the market, the Group actively responded to changes in the market and competition, seized market opportunities, promoted innovation and development, and strengthened its operation and management, and continued to maintain a solid performance and a positive development momentum as a whole. At the same time, the Group remained committed to its strategic objectives, accelerated the expansion of innovative and transformational businesses, established core competencies, and promoted its strategic transformation and upgrading.

In the first half of 2023, the Group recorded a revenue of about HK\$16,960.78 million, down by 5.28% over the same period of the previous fiscal year; gross margin in the first half of 2023 was 3.49%, up by about 0.40 percentage point from the same period of the previous fiscal year. The profit attributable to shareholders in the first half of 2023 was approximately HK\$164.48 million, down by about 6.11% over the same period of the previous fiscal year and the basic earnings per share was HK6.40 cents, down by approximately HK0.42 cents from HK6.82 cents in the same period of the previous fiscal year, mainly due to fluctuations in the RMB exchange rate.

During the period, the Group continuously consolidated basic management, strengthened digital and intelligent systems construction and business process transformation and optimization, built an intelligent business system, improved operational efficiency, enabled business innovation, and strived 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, allocated funds in a reasonable manner, and accelerated cash flow to ensure the safety and efficiency of working capital. The Group continued its efforts in tightening expense control, such that the administrative expenses and research and development cost decreased compared with the same period of last year; the distribution and sales expenses increased compared with the same period of last year, mainly due to the increase in labor costs, marketing expenses and travel expenses compared with the same period of last year; the financing cost rose compared with the same period of last year due to the increase of financing scale.

For the six months ended 30 June 2023, 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 maintained close cooperation with core manufacturers, proactively addressed the challenges posed by weak market demand, strived to expand the featured product line through both online and offline channels, and occupied considerable market share. With the support of digital and intelligent technologies, the business segment innovated its business model to provide intelligent marketing services to its upstream and downstream partners, and overcame adverse market conditions. The business's revenue decreased by 15.28% to HK\$8,052.25 million over the same period of last year and the business segment's profit decreased by 6.76% to HK\$159.62 million.

ICT corporate products distribution business: The business segment strengthened capacity building for solutions and technical services, enhanced the value of customer service and business growth. Innovative businesses such as cloud computing and virtual reality continued to expand in terms of upstream and downstream resources, built a technical service support system and accelerated the iteration of business models. The business's revenue increased by 8.02% to HK\$5,550.78 million over the same period of last year, and the business segment's profit increased by 5.27% to HK\$191.63 million.

Other businesses: Due to the growth in sales of smartphones, the business segment's revenue increased by 2.89% to HK\$3,357.76 million as compared to the same period of last year; and due to the growth in ICT service business, the profit from the business increased by 36.45% to HK\$35.54 million.

OUTLOOK

In the second half of 2023, uncertainties arising from the Ukraine crisis and inflationary pressure remain, and both the global and Chinese economic growth are facing a number of risks and challenges. China is expected to increase the intensity of macro policy regulation and adopt more vigorous measures to facilitate economic recovery and improvement. The digital economy, given its scale of growth and strong and vibrant momentum, is an important engine for China's economic development. In the second half of 2023, the Group will continue to operate under the principle of "focusing on being a digital and intelligent value partner", strive to build an intelligent business system, pay attention to business and management, develop and enhance its digital and intelligent core capabilities, empower itself and its partners and customers for value enhancement, serve as a remarkable digitalization and intelligentization comprehensive service provider and value partner in the new era, achieve new development in a new era together with its partners, and make greater contributions to its shareholders.

ZHU Jianqiu
Chairman

10 August 2023

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL SUMMARY

- Revenue for the six months ended 30 June 2023 was approximately HK\$16,960.78 million (2022: HK\$17,906.45 million), representing a decrease of 5.28% as compared with the previous period. This decrease was mainly due to the fluctuations in the RMB exchange rate.
- Profit for the six months ended 30 June 2023 was approximately HK\$164.48 million (2022: HK\$175.19 million), representing a decrease of 6.11% as compared with the previous period. The decrease was mainly due to the fluctuations in the RMB exchange rate.
- Total comprehensive income for the six months ended 30 June 2023 was approximately HK\$52.54 million (2022: HK\$25.90 million). This increase 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 2023, the Group's total interest-bearing borrowings amounted to approximately HK\$2,320.89 million and its cash and bank balances amounted to approximately HK\$4,439.54 million. Net current assets of the Group was approximately HK\$2,490.31 million. The net gearing ratio (total liabilities/total shareholders' equity) of the Group as at 30 June 2023 was 4.42 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 2023 (2022: 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 2023, 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 2023 and 31 December 2022, 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:

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Settlement of trade and other payables	71,487	154,166
Discounted bills for raising of cash	1,729,278	911,471
Outstanding endorsed and discounted bills receivables with recourse	1,800,765	1,065,637

The outstanding endorsed and discounted bills receivables are aged within 360 days at the end of the reporting period (2022: 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 2023.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 June 2023, the Group had no material capital commitments and no future plans for material investments or capital assets.

EVENTS AFTER THE REPORTING PERIOD

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 2023, the total number of the Group's staff was 1,408 (as at 30 June 2022: 1,316). 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 2023 (2022: Nil).

The payment of a final dividend of HK\$0.05 per ordinary share and preference share for the year ended 31 December 2022, totaling approximately HK\$128.53 million, had been resolved at the annual general meeting of the Company held on 25 May 2023 and the payment was made on 23 June 2023.

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

During the six months ended 30 June 2023, 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 2023, 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 2023.

REVIEW OF INTERIM RESULTS

The unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2023 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 2023 INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.changhongit.com). The 2023 interim report will be dispatched to the Shareholders and published on the websites of the Stock Exchange and the Company in September 2023.

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

Hong Kong, 10 August 2023

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