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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 2024

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 2024 together with the unaudited comparative figures for the corresponding period in 2023 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Note	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Revenue	3	19,286,174	16,960,784
Cost of sales		(18,642,526)	(16,368,847)
Gross profit		643,648	591,937
Other income		35,462	48,325
Research and development expenses		(12,226)	(13,789)
Administrative expenses		(85,480)	(83,595)
Impairment loss on trade receivables, net		(33,972)	(17,060)
Exchange loss, net		(14,300)	(6,279)
Distribution and selling expenses		(208,466)	(188,098)
Finance costs		(145,580)	(125,682)

	<i>Notes</i>	2024 HK\$'000 (Unaudited)	2023 <i>HK\$'000</i> (Unaudited)
Profit before tax	5	179,086	205,759
Income tax expense	6	<u>(14,602)</u>	<u>(41,281)</u>
Profit for the period attributed to owners of the Company		<u>164,484</u>	<u>164,478</u>
Other comprehensive expense			
<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>(29,548)</u>	<u>(111,936)</u>
Total comprehensive income for the period attributable to owners of the Company		<u>134,936</u>	<u>52,542</u>
Earnings per share			
Basic and diluted (<i>HK cents</i>)	7	<u>6.40</u>	<u>6.40</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	<i>Notes</i>	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Plant and equipment		3,874	3,143
Intangible assets		16,540	17,471
Right-of-use assets		29,594	16,363
Deferred tax assets		26,274	21,823
Financial asset at fair value through profit or loss		<u>37,170</u>	<u>37,436</u>
		<u>113,452</u>	<u>96,236</u>
CURRENT ASSETS			
Inventories		4,408,398	5,074,770
Trade receivables	8	4,762,821	4,863,658
Bills receivables at fair value through other comprehensive income		79,831	103,675
Prepayments, deposits and other receivables		327,014	306,293
Amounts due from related companies		45,067	1,744
Refundable trade deposits		1,172,609	831,927
Pledged bank deposits		1,982,757	5,041,357
Cash and cash equivalents		<u>1,053,426</u>	<u>1,087,803</u>
		<u>13,831,923</u>	<u>17,311,227</u>
CURRENT LIABILITIES			
Trade and bills payables	9	5,965,029	7,121,164
Bills payables under supplier chain financing	9	1,473,609	4,694,384
Other payables		416,239	353,675
Tax payables		10,912	24,628
Borrowings	10	2,629,739	1,780,967
Amount due to related companies		18,067	28,456
Contract liabilities		578,787	574,225
Lease liabilities		<u>8,671</u>	<u>8,958</u>
		<u>11,101,053</u>	<u>14,586,457</u>
NET CURRENT ASSETS		<u>2,730,870</u>	<u>2,724,770</u>

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>2,844,322</u>	<u>2,821,006</u>
NON-CURRENT LIABILITIES		
Deferred tax liabilities	4,607	–
Lease liabilities	<u>20,760</u>	<u>8,461</u>
	<u>25,367</u>	<u>8,461</u>
NET ASSETS	<u><u>2,818,955</u></u>	<u><u>2,812,545</u></u>
CAPITAL AND RESERVES		
Share capital	36,366	36,366
Convertible preference shares	27,897	27,897
Reserves	<u>2,754,692</u>	<u>2,748,282</u>
TOTAL EQUITY	<u><u>2,818,955</u></u>	<u><u>2,812,545</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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 2024. 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 2024 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 2023 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 2023 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 2024 and 2023 are as follows:

	For the six months ended	
	30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue		
ICT Consumer Products	8,495,043	8,052,248
ICT Corporate Products	6,774,592	5,550,778
Others	4,016,539	3,357,758
	<u>19,286,174</u>	<u>16,960,784</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.

Geographical information

The following provides an analysis of the Group's sales by geographical market for the six months ended 30 June 2024 and 2023, based on the origin of the goods:

	For the six months ended	
	30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Mainland China	19,007,151	16,839,317
Other regions	279,023	121,467
	<u>19,286,174</u>	<u>16,960,784</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 2024 and 2023:

	For the six months ended	
	30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	18,642,526	16,368,847
Depreciation of property plant and equipment	923	891
Depreciation of right-of-use assets	5,974	5,890
Staff cost including directors' emolument		
— Salary and related staff cost	151,923	147,364
— Retirement benefits scheme contribution	41,654	39,564
Exchange loss, net	14,300	6,279
	<u>18,857,297</u>	<u>16,608,835</u>

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 Enterprise Income Tax (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.

For the six months ended 30 June 2024 and 2023, 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 20% for the six months ended 30 June 2024.

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	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to owners of the Company	164,484	164,478
	2024	2023
	'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	2,570,520	2,570,520

As there were no potentially dilutive shares during the six months ended 30 June 2024 and 30 June 2023, 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 2024 <i>HK\$'000</i> (Unaudited)	As at 31 December 2023 <i>HK\$'000</i> (Audited)
Within 30 days	1,527,745	1,652,923
31–60 days	622,001	866,229
61–90 days	277,493	405,772
91–180 days	729,337	538,203
181–365 days	595,558	392,920
Over 1 year	<u>1,010,687</u>	<u>1,007,611</u>
	<u>4,762,821</u>	<u>4,863,658</u>

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

	As at 30 June 2024 <i>HK\$'000</i> (Unaudited)	As at 31 December 2023 <i>HK\$'000</i> (Audited)
Trade and bills payables	5,965,029	7,121,164
Bills payables under supplier chain financing	<u>1,473,609</u>	<u>4,694,384</u>
	<u>7,438,638</u>	<u>11,815,548</u>

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

	As at 30 June 2024 <i>HK\$'000</i> (Unaudited)	As at 31 December 2023 <i>HK\$'000</i> (Audited)
Within 30 days	872,118	1,249,025
31–60 days	374,597	317,232
61–90 days	93,046	52,769
91–180 days	156,098	97,517
181–365 days	66,695	97,676
Over 1 year	113,701	96,250
	<u>1,676,255</u>	<u>1,910,469</u>

The credit period on purchase of goods is ranging from 30 to 120 days (2023: 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 2024 <i>HK\$'000</i> (Unaudited)	As at 31 December 2023 <i>HK\$'000</i> (Audited)
Bank borrowings	<u>2,629,739</u>	<u>1,780,967</u>
Secured	<u>0</u>	<u>0</u>
Unsecured	<u>2,629,739</u>	<u>1,780,967</u>
	<u>2,629,739</u>	<u>1,780,967</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 2024 is fixed from 2.64% to 5.2481% (2023: 2.6422% to 5.66%).

11. DIVIDEND

	For the six months ended 30 June	
	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Dividends recognised as distribution during the periods:		
2023 Final — HK\$0.05 (2023: 2022 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 2024 (2023: Nil).

CHAIRMAN'S STATEMENT

Dear Shareholders,

During the six months ended 30 June 2024, the global economy recovered moderately, while the Group continued to operate steadily, achieving good growth in turnover and stable profit performance.

BUSINESS REVIEW

In the first half of 2024, albeit ending of the interest rate hike cycle of the world's major economic regimes and the continuous recovery of commodity trading, various factors including increasing international trade frictions, rebuilding of supply chain and the escalating geopolitical conflicts have driven deglobalization of economies across the world. During the first half of the year, China faced dual challenges from the ever-changing international environment and weak domestic demand, yet China's overall economy remained stable and showed a rebound momentum with the synergetic support of macro policies. With the breakthrough on generative artificial intelligence, the artificial intelligence is playing a leading role to drive the new growth of the world's technology industry, as well as a profound scientific revolution and industrial transformation. The Group has been proactive in the application of latest technologies such as artificial intelligence to strengthen the building of the digital intelligence capabilities, to construct a digital and intelligent service platform and a solution consolidation platform, to empower digital transformation of both the upstream and downstream ecologies, and to accumulate competitive edges. Meanwhile, the Group grasped new opportunities arising from digital economy, deploying in-depth layout in respect of cloud application, metaverse, security and low-altitude economy, etc., so as to generate new scenarios, new applications, new models and new driving forces.

In the first half of 2024, the Group recorded a revenue of about HK\$19,286.17 million, up by 13.71% over the same period of the previous fiscal year; gross margin in the first half of 2024 was 3.34%, down by about 0.15 percentage point from the same period of the previous fiscal year, mainly due to changes in product mix. The profit attributable to shareholders in the first half of 2024 was approximately HK\$164.48 million, up by about 0.0036% over the same period of the previous fiscal year and the basic earnings per share was approximately HK\$6.40 cents, on par with the same period of the previous fiscal year.

During the period, the Group continuously consolidated fundamental management, reinforced its digital and intelligent systems infrastructure 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, adhered to 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. With persistent cost control by the Group, research and development expenses decreased compared with the same period last year; distribution and selling expenses increased compared with the same period last year, which was mainly due to higher salary cost and travelling cost compared with the same period last year as a result of the expansion of business scale; finance cost increased compared with the same period last year due to the increase in financing scale.

For the six months ended 30 June 2024, 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 made concerted effort with core manufacturers to actively explore new products, new opportunities, new channels, and the PC business secured leading market share. Meanwhile, the business segment continued to build the digital and intelligent integrated service platform to provide value-added services to the manufacturers and channel distributors, and to improve operational quality and efficiency so as to drive business growth against the adverse market condition. The business's turnover increased by 5.50% to HK\$8,495.04 million compared with the same period last year, while its profit decreased by 23.16% to HK\$122.65 million due to structural change on products.

ICT corporate products distribution business: the business segment strengthened cooperations with domestic brands and integrated advantages and resources of the industry to create a solution consolidation platform to provide more innovative and competitive products, application solutions and differentiation services to the cooperative partners at home and abroad in respect of numerous business areas, including infrastructure, local structure, cloud computing, artificial intelligence, data governance, security, etc., so as to enhance the value of the customer services and to drive business growth. It showed strong growth momentum in areas such as high-performance computing, microchip, software, etc. The business's turnover increased by 22.05% to HK\$6,774.59 million compared with the same period last year, while its profit rose by 25.95% to HK\$241.36 million.

Other businesses: as a result of channel expansion for sales of smartphones, the business segment's turnover increased by 19.62% to HK\$4,016.54 million compared with the same period last year, while its profit increased by 4.68% to HK\$37.20 million.

OUTLOOK

In the second half of 2024, the global economy shall continue to recover, yet world-wide inflation remains high, along with escalating geopolitical conflicts, trade protectionism and climate crisis, the world's economy is still facing various uncertainties, which have also affected China's economy to a certain extent. Domestically, China is confronting different challenges such as insufficient demand and weak social expectation. For the coming half year, the macro policies of China will continue to contribute to the consistent reinforcement and strengthening of the rebound momentum of China's economy, while at the same time accelerating new quality productivity, driving innovative development of digital economy, facilitating deep integration of digital technology with physical economy, so as to foster high quality economic growth of China. The rapid development and extensive application of digital technologies such as 5G, high performance computing, artificial intelligence will help expediate the digital transformation of different industries. In the second half of 2024, the Group will operate under the principle of "leveraging new technology, achieving high-quality growth, and being a good ecological partner", actively apply advanced digital technologies, such as artificial intelligence, and continue to enhance the quality and differentiated value of its technical services through digitalization and intelligentization to facilitate the expansion of the industry. The Group will continue to leverage new technology to achieve strategic development, expand the new ecosystem of industry, such as cloud applications, meta-universe, and security, and accelerate the growth of its partners through creating new value, in order to build a new future of high-quality development with its partners and make greater contributions for its shareholders.

ZHU Jianqiu
Chairman

13 August 2024

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL SUMMARY

- Revenue for the six months ended 30 June 2024 was approximately HK\$19,286.17 million (2023: HK\$16,960.78 million), representing an increase of 13.71% as compared with the previous period.
- Profit for the six months ended 30 June 2024 was approximately HK\$164.48 million (2023: HK\$164.48 million), representing an increase of 0.0036% as compared with the previous period.
- Total comprehensive income for the six months ended 30 June 2024 was approximately HK\$134.94 million (2023: HK\$52.54 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 2024, the Group's total interest-bearing borrowings amounted to approximately HK\$2,629.74 million and its cash and bank balances amounted to approximately HK\$3,036.18 million. Net current assets of the Group was approximately HK\$2,730.87 million. The net gearing ratio (total liabilities/total shareholders' equity) of the Group as at 30 June 2024 was 3.95 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 2024 (2023: 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 2024, 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.

TRANSFER OF FINANCIAL ASSETS

As at 30 June 2024 and 31 December 2023, 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 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Settlement of trade and other payables	92,629	67,471
Discounted bills for raising of cash	2,087,865	1,867,949
Outstanding endorsed and discounted bills receivables with recourse	2,180,494	1,935,420

The outstanding endorsed and discounted bills receivables are aged within 360 days at the end of the reporting period (2023: 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 2024.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 June 2024, 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 2024, the total number of the Group's staff was 1,552 (as at 30 June 2023: 1,408). 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 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.

DIVIDEND

The Board does not recommend the payment of any dividend for the six months ended 30 June 2024 (2023: Nil).

The payment of a final dividend of HK\$0.05 per ordinary share and preference share for the year ended 31 December 2023, totaling approximately HK\$128.53 million, had been resolved at the annual general meeting of the Company held on 24 May 2024 and the payment was made on 21 June 2024.

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

During the six months ended 30 June 2024, 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 C1 to the Listing Rules which sets out corporate governance principles and code provisions (the “**Code Provisions**”). Throughout the six months period ended 30 June 2024, 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 C3 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 2024.

REVIEW OF INTERIM RESULTS

The unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2024 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 2024 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 2024 interim report will be published on the websites of the Stock Exchange and the Company in September 2024.

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

Hong Kong, 13 August 2024

As at the date of this announcement, the executive Directors are Mr. Zhu Jianqiu, Mr. Zhao Qilin, Ms. Mao Haoyun, Mr. Ma Ban, 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.