

长虹佳华
CHANGHONGIT

CHANGHONG JIAHUA HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 3991

INTERIM REPORT
2024

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Corporate Information

Registered office	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Head office and principal place of business	Unit 1412, 14/F, West Tower, Shun Tak Centre 168–200 Connaught Road Central Hong Kong
Bermuda principal share registrar and transfer office	Conyers Corporate Services (Bermuda) Limited Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Hong Kong branch share registrar and transfer office	Hong Kong Registrars Limited 1712–1716, Hopewell Centre 183 Queen’s Road East Hong Kong
Principal banker	The Hongkong and Shanghai Banking Corporation Limited China Insurance Group Building 141 Des Voeux Road Central, Sheung Wan Hong Kong
Stock exchange	The Stock Exchange of Hong Kong Limited (the “ Stock Exchange ”)
Stock code	3991
Website	www.changhongit.com
E-mail address	fengyl@changhongit.com

Board of Directors

Executive Directors	Mr. ZHU Jianqiu (<i>Chairman and President</i>) Mr. ZHAO Qilin Ms. MAO Haiyun Mr. MA Ban Ms. SU Huiqing Mr. ZHOU Jiachao
Independent Non-executive Directors	Mr. Jonathan CHAN Ming Sun Mr. GAO Xudong Mr. MENG Qingbin
Authorised representatives	Mr. ZHU Jianqiu Mr. CHENG Ching Kit
Company Secretary	Mr. CHENG Ching Kit
Audit Committee	Mr. Jonathan CHAN Ming Sun (<i>Chairman</i>) Mr. GAO Xudong Mr. MENG Qingbin
Remuneration Committee	Mr. Jonathan CHAN Ming Sun (<i>Chairman</i>) Mr. ZHU Jianqiu Mr. MENG Qingbin
Nomination Committee	Mr. ZHU Jianqiu (<i>Chairman</i>) Mr. Jonathan CHAN Ming Sun Mr. GAO Xudong
Auditor	SHINEWING (HK) CPA Limited Registered Public Interest Entity Auditors 17/F, Chubb Tower, Windsor House 311 Gloucester Road, Causeway Bay Hong Kong

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.

Chairman's Statement

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 net debt/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.

Management Discussion and Analysis

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).

Management Discussion and Analysis

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 report.

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.

Other Information

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.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

Pursuant to Rule 3.21 of the Listing Rules, the Company established an audit committee with written terms of reference aligned with the provision of the code provisions set out in Appendix C1 of the Listing Rules.

The primary responsibilities of the audit committee of the Company (the "**Audit Committee**") are to review and supervise the financial reporting process and internal control system of the Group. The members of the Audit Committee are Mr. Jonathan Chan Ming Sun (chairman of the committee), Mr. Gao Xudong and Mr. Meng Qingbin.

The financial information in this report has not been reviewed or audited by the external auditor of the Company but the Audit Committee has reviewed the Group's results for the six months ended 30 June 2024.

REMUNERATION COMMITTEE

The primary responsibilities of the remuneration committee of the Company (the “**Remuneration Committee**”) are to review and make recommendation for the remuneration policy of the directors and senior management. The members of the Remuneration Committee are Mr. Jonathan Chan Ming Sun (chairman of the committee), Mr. Zhu Jianqiu and Mr. Meng Qingbin.

NOMINATION COMMITTEE

The primary responsibilities of the nomination committee of the Company (the “**Nomination Committee**”) are to formulate nomination policy and make recommendation to the Board on nomination and appointment of directors and board succession. The members of the Nomination Committee are Mr. Zhu Jianqiu (chairman of the committee), Mr. Jonathan Chan Ming Sun and Mr. Gao Xudong.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES IN THE COMPANY

As at 30 June 2024, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”)) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) have to be notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix C3 to the Listing Rules were as follows:

Name of Director	Capacity	Number of ordinary shares interested (Note a)	Approximate percentage of interest
Mr. Zhu Jianqiu (“ Mr. Zhu ”)	Beneficial owner	115,165,762 (L)	7.92%
Mr. Zhao Qilin (“ Mr. Zhao ”)	Beneficial owner	750,000 (L)	0.05%
Ms. Su Huiqing (“ Ms. Su ”)	Beneficial owner	34,589,636 (L)	2.38%

Note:

(a) (L) represents long position.

Save as disclosed above, as at 30 June 2024, none of the Directors or chief executives of the Company had interests in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) have to be notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix C3 to the Listing Rules.

Other Information

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months end 30 June 2024 were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate. As at the date of this report, the Company has not granted any share options to the Directors.

INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS IN THE COMPANY

So far as the Directors were aware, as at 30 June 2024, the persons or companies (not being a Director or chief executive of the Company) whose interests or short positions in the Shares or underlying Shares or debentures of the Company which would fall to be disclosed or were notified to the Company and the Stock Exchange pursuant to the provisions under Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO or who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

Long positions in Shares

Name of substantial shareholders	Capacity	Class of Shares	Number of Shares interested (Note a)	Approximate percentage of interest in relevant class of shares (Note b)
Sichuan Changhong Electric Co., Limited ("Sichuan Changhong")	Interest of controlled corporation	Ordinary share	874,650,000 (L) (Note c)	60.13%
		Preference share	1,115,868,000 (L) (Note d)	100.00%
Changhong (Hong Kong) Trading Limited ("Changhong Hong Kong")	Interest of controlled corporation and beneficial owner	Ordinary share	874,650,000 (L) (Note e)	60.13%
		Preference share	1,115,868,000 (L) (Note d)	100.00%
Fit Generation Holding Limited ("Fit Generation")	Beneficial owner	Ordinary share	858,650,000 (L)	59.03%
		Preference share	1,115,868,000 (L)	100.00%
Sichuan Chuantou Assets Management Co., Ltd. ("Chuantou Assets Management") (Note f)	Beneficial owner	Ordinary share	83,009,340 (L)	5.70%
Sichuan Provincial Investment Group Company Limited ("Sichuan Provincial Investment Group") (Note f)	Interest of controlled corporation	Ordinary share	83,009,340 (L)	5.70%

Notes:

- (a) (L) represents long position.
- (b) The percentages are calculated based on the total number of Shares and preference shares of the Company in issue as at 30 June 2024, which were 1,454,652,000 and 1,115,868,000, respectively.
- (c) Among the 874,650,000 Shares interest held by Sichuan Changhong, 16,000,000 Shares were held through its wholly-owned subsidiary, Changhong Hong Kong and 858,650,000 Shares were held through Fit Generation, which is wholly-owned by Changhong Hong Kong. Sichuan Changhong is therefore deemed to be interested in the Shares held by Changhong Hong Kong and Fit Generation for the purpose of the SFO. Sichuan Changhong Holding 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.
- (d) 1,115,868,000 preference shares of the Company were held by Fit Generation, which is wholly-owned by Changhong Hong Kong, which is a wholly-owned subsidiary of Sichuan Changhong. Each of Sichuan Changhong and Changhong Hong Kong is therefore deemed to be interested in the preference shares of the Company held by Fit Generation for the purpose of the SFO.
- (e) Among the 874,650,000 Shares interest held by Changhong Hong Kong, 16,000,000 Shares were held directly and 858,650,000 Shares were held through Fit Generation. As Fit Generation is wholly-owned by Changhong Hong Kong, Changhong Hong Kong is deemed to be interested in the Shares held by Fit Generation for the purpose of the SFO.
- (f) Chuantou Assets Management is wholly-owned by Sichuan Provincial Investment Group, which is deemed to be interested in the Shares held by Chuantou Assets Management for the purpose of the SFO.

Save as disclosed above, as at 30 June 2024, the Directors were not aware of any other person who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 5% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

Other Information

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN A COMPETING BUSINESS

Sichuan Changhong is a controlling shareholder of the Company established in the PRC of which shares are listed on the Shanghai Stock Exchange. Sichuan Changhong is principally engaged in the wholesale business of consumer home electronics items under the name of "Changhong".

Save as disclosed above, none of the Directors or the controlling shareholders of the Company or any of their respective close associates (as defined in the Listing Rules) had any business or interest in a business which competes or may compete with the business of the Group and any other conflicts of interest which any person has or may have with the Group during the six months ended 30 June 2024.

CHANGES IN DIRECTORS' INFORMATION

There is no change in the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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)
Profit before tax	5	179,086	205,759
Income tax expense	6	(14,602)	(41,281)
Profit for the period attributed to owners of the Company		164,484	164,478
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		(29,548)	(111,936)
Total comprehensive income for the period attributable to owners of the Company		134,936	52,542
Earnings per share			
Basic and diluted (HK cents)	7	6.40	6.40

Condensed Consolidated Statement of Financial Position

As at 30 June 2024

	Notes	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		37,170	37,436
		113,452	96,236
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		1,053,426	1,087,803
		13,831,923	17,311,227
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		8,671	8,958
		11,101,053	14,586,457
NET CURRENT ASSETS		2,730,870	2,724,770
TOTAL ASSETS LESS CURRENT LIABILITIES		2,844,322	2,821,006

Condensed Consolidated Statement of Financial Position

As at 30 June 2024

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

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024

	For the six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Total equity at 1 January	2,812,545	2,629,964
Dividend payment	(128,526)	(128,526)
Decrease in exchange differences rising on translation	(29,548)	(111,937)
Net profit for the period attributable to shareholders	164,484	164,478
Total equity as at 30 June	2,818,955	2,553,979

Condensed Consolidated Statement of Cash Flow

For the six months ended 30 June 2024

	For the six months ended	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Net cash used in operating activities	(3,193,175)	(2,530,034)
Net cash generated from investing activities	3,054,038	1,627,423
Net cash generated from financing activities	104,760	1,483,074
Net (decrease)/increase in cash and cash equivalents	(34,377)	580,463
Cash and cash equivalents at beginning of the period	1,087,803	355,687
Cash and cash equivalents at end of the period	1,053,426	936,150
Analysis of cash and cash equivalents		
Bank and cash balances	1,053,426	936,150

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**”).

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2024

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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 HK\$'000 (Unaudited)	2023 HK\$'000 (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
	19,286,174	16,960,784

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.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2024

4. SEGMENT INFORMATION (CONTINUED)

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 2024 and 2023:

	For the six months ended 30 June 2024			
	ICT Consumer Products HK\$'000	ICT Corporate Products HK\$'000	Others HK\$'000	Total HK\$'000
Revenue				
External sales	8,495,043	6,774,592	4,016,539	19,286,174
Segment profit	122,649	241,359	37,202	401,210
Other income				35,462
Research and development expenses				(12,226)
Administrative expenses				(85,480)
Exchange loss, net				(14,300)
Finance costs				(145,580)
Profit before tax				179,086

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2024

4. SEGMENT INFORMATION (CONTINUED)

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

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 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Mainland China	19,007,151	16,839,317
Other regions	279,023	121,467
	19,286,174	16,960,784

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For the six months ended 30 June 2024

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 HK\$'000 (Unaudited)	2023 HK\$'000 (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

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.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2024

6. INCOME TAX EXPENSE (CONTINUED)

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

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2024

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 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (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	1,010,687	1,007,611
	4,762,821	4,863,658

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2024

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

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

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

	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (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
	1,676,255	1,910,469

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.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2024

10. BORROWINGS

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

	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Bank borrowings	2,629,739	1,780,967
Secured	0	0
Unsecured	2,629,739	1,780,967
	2,629,739	1,780,967

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 HK\$'000	2023 HK\$'000
Dividends recognised as distribution during the periods:		
2023 Final — HK\$0.05 (2023: 2022 Final — HK\$0.05) per share	128,526	128,526

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