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Changhong Jiahua Holdings Limited

長虹佳華控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 3991)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

RESULTS

The board of directors (the "Board") of the Company is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	NOTES	2023 HK$'000	2022 HK$'000
Revenue	*3*	**37,170,632**	38,339,109
Cost of sales		**(35,870,017)**	(37,066,598)
Gross profit		**1,300,615**	1,272,511
Other income	*4*	**130,374**	61,326
Distribution and selling expenses		**(449,978)**	(412,280)
Research and development expenses		**(26,894)**	(27,213)
Administrative expenses		**(184,349)**	(199,046)
Finance costs	*6*	**(248,548)**	(211,088)
Impairment loss under expected credit loss model, net of reversal		**(71,223)**	(43,187)
Exchange (loss) gain, net		**(21,349)**	396

	NOTES	**2023** ***HK$'000***	2022 *HK$'000*
Profit before tax		**428,648**	441,419
Income tax expenses	*7*	**(68,108)**	(75,603)
Profit for the year attributable to the owners of the Company	*8*	**360,540**	365,816
Other comprehensive expense			
Item that will not be reclassified to profit or loss:			
Exchange differences arising from translation of consolidated financial statements to presentation currency		**(49,433)**	(287,586)
Total comprehensive income for the year		**311,107**	78,230
Earnings per share	*9*		
Basic and diluted *(HK cents)*		**14.03**	14.23

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	NOTES	2023 HK$'000	2022 HK$'000
Non-current assets			
Plant and equipment		**3,143**	4,158
Intangible assets		**17,471**	17,370
Right-of-use assets		**16,363**	9,637
Financial assets at fair value through profit or loss		**37,436**	33,051
Deferred tax assets		**21,823**	–
		96,236	64,216
Current assets			
Inventories		**5,074,770**	5,284,511
Trade receivables	*10*	**4,863,658**	4,224,190
Bills receivables at fair value through other comprehensive income		**103,675**	46,159
Prepayments, deposits and other receivables		**306,293**	302,654
Amounts due from related companies		**1,744**	621
Refundable trade deposits		**831,927**	461,517
Pledged bank deposits		**5,041,357**	5,211,209
Cash and cash equivalents		**1,087,803**	355,687
		17,311,227	15,886,548
Current liabilities			
Trade and bills payables	*11*	**7,121,164**	5,128,275
Bills payables under supplier chain financing		**4,694,384**	4,974,790
Other payables		**353,675**	323,428
Tax payables		**24,628**	18,985
Borrowings		**1,780,967**	2,548,366
Amounts due to related companies		**28,456**	59,453
Contract liabilities		**574,225**	256,029
Lease liabilities		**8,958**	6,105
		14,586,457	13,315,431
Net current assets		**2,724,770**	2,571,117
Total assets less current liabilities		**2,821,006**	2,635,333

	NOTES	2023 HK$'000	2022 HK$'000
Non-current liabilities			
Government grants		**–**	790
Lease liabilities		**8,461**	4,579
		8,461	5,369
Net assets		**2,812,545**	2,629,964
Capital and reserves			
Share capital		**36,366**	36,366
Convertible preference shares		**27,897**	27,897
Reserves		**2,748,282**	2,565,701
Total equity		**2,812,545**	2,629,964

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Share capital *HK$'000*	Convertible preference shares *HK$'000*	Statutory reserve *HK$'000* *(Note i)*	Merger reserve *HK$'000* *(Note ii)*	Translation reserve *HK$'000*	Other reserve *HK$'000* *(Note iii)*	Contributed surplus *HK$'000* *(Note iv)*	Retained earnings *HK$'000*	Total *HK$'000*
At 1 January 2022	36,366	27,897	120,447	(1,248,106)	87,815	(203,432)	1,529,536	2,329,737	2,680,260
Profit for the year	–	–	–	–	–	–	–	365,816	365,816
Exchange differences arising from translation of consolidated financial statements to presentation currency	–	–	–	–	(287,586)	–	–	–	(287,586)
Total comprehensive income for the year	–	–	–	–	(287,586)	–	–	365,816	78,230
Appropriation to statutory reserve	–	–	20,734	–	–	–	–	(20,734)	–
Dividends recognised as distribution *(Note 12)*	–	–	–	–	–	–	(128,526)	–	(128,526)
At 31 December 2022	**36,366**	**27,897**	**141,181**	**(1,248,106)**	**(199,771)**	**(203,432)**	**1,401,010**	**2,674,819**	**2,629,964**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**360,540**	**360,540**
Exchange differences arising from translation of consolidated financial statements to presentation currency	**–**	**–**	**–**	**–**	**(49,433)**	**–**	**–**	**–**	**(49,433)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(49,433)**	**–**	**–**	**360,540**	**311,107**
Appropriation to statutory reserve	**–**	**–**	**36,142**	**–**	**–**	**–**	**–**	**(36,142)**	**–**
Dividends recognised as distribution *(Note 12)*	**–**	**–**	**–**	**–**	**–**	**–**	**(128,526)**	**–**	**(128,526)**
At 31 December 2023	**36,366**	**27,897**	**177,323**	**(1,248,106)**	**(249,204)**	**(203,432)**	**1,272,484**	**2,999,217**	**2,812,545**

Notes:

(i) In accordance with the Articles and Association of the People's Republic of China (the "PRC") subsidiaries and the relevant laws and regulations applicable in the PRC, companies established in the PRC are required to appropriate at least 10% of their statutory annual profits after tax determined in accordance with the relevant statutory rules and regulations applicable to enterprises in the PRC to the statutory reserve until the balance of the reserve reaches 50% of their respective registered capitals. Subject to certain restrictions as set out in the relevant PRC regulations, the statutory reserve may be used to offset against accumulated losses of the respective PRC companies. The amount of the transfer is subject to the approval of the board of director of the respective PRC companies.

(ii) The merger reserve represents the difference between the considerations and the assets and liabilities acquired under business combinations under common control.

(iii) The other reserve represents the difference between the consideration paid and the carrying values of non-controlling interests acquired during the year ended 31 December 2014.

(iv) On 15 May 2015, a resolution was passed on the annual general meeting to approve the reduction of the amount of approximately HK$2,095,051,000 standing to the credit of the share premium account of the Company and the transfer of the entire amount to the contributed surplus account of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL INFORMATION

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

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

The Company is an investment holding company. The principal activities of its subsidiaries (together with the Company collectively "the Group") are the provision of professional integrated information technology solutions and services and distribution of consumer digital products.

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

Sichuan Changhong Electronic Co., Limited ("Sichuan Changhong"), a company incorporated in the PRC with its shares listed on the Shanghai Stock Exchange, has obtained the control over the board of directors of the Company since 2012. Sichuan Changhong Electronics Holding Group Co., Ltd., ("Sichuan Changhong Holding", a company established in the PRC and wholly-owned by the State-owned Assets Supervision and Administration Commission of the Mianyang city government) is the single largest shareholder of Sichuan Changhong, which held approximately 23.22% of the entire issued share capital of Sichuan Changhong and has de facto control over the composition of the majority of the board of Sichuan Changhong. In the opinion of the directors of the Company, Sichuan Changhong Holding, Sichuan Changhong, Changhong (Hong Kong) Trading Limited and Fit Generation Holding Limited ("Fit Generation") remain as a group of controlling shareholders as at 31 December 2023. The Company's immediate holding company is Fit Generation, a private company incorporated in the British Virgin Islands.

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

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

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

Impacts on application of Amendments to HKAS 8 Definition of Accounting Estimates

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

Impacts on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

In accordance with the transition provision:

(i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022; and

(ii) for leasing transactions in which the tax deduction are attributable to the lease liabilities, the Group also recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

The application of the amendments in the current year has had no material impact on the Group's consolidated financial statements.

Impacts on application of Amendments to HKAS 12 Income Taxes International Tax Reform — Pillar Two model Rules

The Group has applied the amendments for the first time in the current year. HKAS 12 is amended to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the "Pillar Two legislation"). The amendments require that entities apply the amendments immediately upon issuance and retrospectively. The amendments also require that entities to disclose separately its current tax expense/income related to Pillar Two income taxes in periods which the Pillar Two legislation is in effect, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

The Group is yet to apply the temporary exception during the current year because the Group's entities are operating in jurisdictions which the Pillar Two legislation has not yet been enacted or substantially enacted. The Group will disclose known or reasonably estimable information that helps users of financial statements to understand the Group's exposure to Pillar Two income taxes in the Group's annual consolidated financial statements when the Pillar Two legislation is enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

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

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

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in Note 3 to the consolidated financial statements.

Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after 1 January 2025.

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

Amendments to HKAS 7 and HKFRS 7 Supplier Finance Arrangements

The amendments add a disclosure objective to HKAS 7 Cash flow statements stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, HKFRS 7 Financial Instruments: Disclosures was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The term 'supplier finance arrangements' is not defined. Instead, the amendments describe the characteristics of an arrangement for which an entity would be required to provide the information.

To meet the disclosure objective, an entity will be required to disclose in aggregate for its supplier finance arrangements:

- The terms and conditions of the arrangements;

- The carrying amount and associated line items presented in the entity's statement of financial position, of the liabilities that are part of the arrangements, and the non-cash changes in the carrying amounts of these financial liabilities;

- The carrying amount, and associated line items for which the suppliers have already received payment from the finance providers;

- Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement; and liquidity risk information

The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

The Group has applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in December 2020 in relation to Supply Chain Financing Arrangements. The application of the amendments is not expected to have impact on the financial position, cash flows or performance of the Group but may affect the disclosures of liabilities and the Group's exposure to liquidity risk related to the supplier finance arrangements entered into by the Group. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

3. REVENUE

(i) Disaggregation of revenue from contracts with customers

	For the year ended 31 December 2023			
Segments	**ICT consumer products** *HK$'000*	**ICT corporate products** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Types of goods or service				
Sales of Information and Communication Technology ("ICT") products	**16,812,624**	**11,628,090**	**153,002**	**28,593,716**
Sales of smartphone and own brand products	**–**	**–**	**7,736,342**	**7,736,342**
Sales of warranty packages and professional integrated ICT solutions	**18,306**	**751,815**	**50,099**	**820,220**
Provision of ICT services	**–**	**–**	**20,354**	**20,354**
	16,830,930	**12,379,905**	**7,959,797**	**37,170,632**
Timing of revenue recognition				
A point of time	**16,830,930**	**12,379,905**	**7,939,443**	**37,150,278**
Overtime	**–**	**–**	**20,354**	**20,354**
	16,830,930	**12,379,905**	**7,959,797**	**37,170,632**

Segments	ICT consumer products *HK$'000*	ICT corporate products *HK$'000*	Others *HK$'000*	Total *HK$'000*
	For the year ended 31 December 2022			
Types of goods or service				
Sales of Information and Communication Technology ("ICT") products	19,507,012	11,227,864	16,993	30,751,869
Sales of smartphone and own brand products	–	–	7,092,764	7,092,764
Sales of warranty packages and professional integrated ICT solutions	18,974	410,841	45,872	475,687
Provision of ICT services	–	–	18,789	18,789
	19,525,986	11,638,705	7,174,418	38,339,109
Timing of revenue recognition				
A point of time	19,525,986	11,638,705	7,155,629	38,320,320
Overtime	–	–	18,789	18,789
	19,525,986	11,638,705	7,174,418	38,339,109

(ii) Performance obligations for contracts with customers and revenue recognition policies

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal for sales of products, warranty packages and professional integrated ICT solutions.

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

For sales of products that contain variable consideration (e.g. sales returns or volume rebates), the Group estimates the amount of consideration to which it will be entitled using the expected value method, which better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

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

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

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

4. OTHER INCOME

	2023	2022
	HK$'000	*HK$'000*
Bank interest income	**95,217**	33,908
Government grants	**34,840**	27,163
Gain on fair value changes of financial assets at FVTPL	**–**	19
Others	**317**	236
	130,374	61,326

5. SEGMENT INFORMATION

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

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

1. ICT Consumer Products — distribution of ICT consumer products which include mainly personal computers, digital products and IT accessories.

2. ICT Corporate Products — distribution of ICT corporate products which include mainly storage products, minicomputers, networking products, personal computer servers, intelligent building management system products and unified communications and contact centre products.

3. Others — distribution of smartphones and 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 (loss) gain, net as well as unallocated head office and corporate administrative expenses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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

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

For the year ended 31 December 2023

	ICT consumer products *HK$'000*	**ICT corporate products** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Revenue				
External sales	**16,830,930**	**12,379,905**	**7,959,797**	**37,170,632**
Segment profit	**309,947**	**411,613**	**57,854**	**779,414**
Other income				**130,374**
Research and development expenses				**(26,894)**
Administrative expenses				**(184,349)**
Exchange loss, net				**(21,349)**
Finance costs				**(248,548)**
Profit before tax				**428,648**
Segment assets	**3,932,032**	**5,452,646**	**1,491,096**	**10,875,774**
Unallocated assets:				
Pledged bank deposits				**5,041,357**
Cash and cash equivalents				**1,087,803**
Prepayments, deposits and other receivables				**306,293**
Plant and equipment				**3,143**
Right-of-use assets				**16,363**
Intangible assets				**17,471**
Financial asset at FVTPL				**37,436**
Deferred tax assets				**21,823**
Total consolidated assets				**17,407,463**
Segment liabilities	**2,853,579**	**8,507,926**	**1,028,268**	**12,389,773**
Unallocated liabilities:				
Other payables				**353,675**
Amounts due to related companies				**28,456**
Tax payables				**24,628**
Borrowings				**1,780,967**
Lease liabilities — non-current				**8,461**
Lease liabilities — current				**8,958**
Total consolidated liabilities				**14,594,918**

For the year ended 31 December 2022

	ICT consumer products *HK$'000*	ICT corporate products *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue				
External sales	19,525,986	11,638,705	7,174,418	38,339,109
Segment profit	347,135	406,414	63,495	817,044
Other income				61,326
Research and development expenses				(27,213)
Administrative expenses				(199,046)
Exchange gain, net				396
Finance costs				(211,088)
Profit before tax				441,419
Segment assets	4,720,480	4,088,812	1,207,706	10,016,998
Unallocated assets:				
Pledged bank deposits				5,211,209
Cash and cash equivalents				355,687
Prepayments, deposits and other receivables				302,654
Plant and equipment				4,158
Right-of-use assets				9,637
Intangible assets				17,370
Financial asset at FVTPL				33,051
Total consolidated assets				15,950,764
Segment liabilities	5,172,103	3,908,970	1,278,021	10,359,094
Unallocated liabilities:				
Other payables				323,428
Amounts due to related companies				59,453
Government grants				790
Tax payables				18,985
Borrowings				2,548,366
Lease liabilities — non-current				4,579
Lease liabilities — current				6,105
Total consolidated liabilities				13,320,800

For the year ended 31 December 2023

	ICT consumer products *HK$'000*	ICT corporate products *HK$'000*	Others *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:					
Impairment loss under expected credit loss model, net of reversal	**16,839**	**39,467**	**14,917**	**–**	**71,223**
(Reversal of) allowance for inventories, net	**(7,374)**	**11,275**	**(7,345)**	**–**	**(3,444)**
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:					
Research and development expenses	**–**	**–**	**–**	**26,894**	**26,894**
Addition to non-current assets	**–**	**–**	**–**	**25,635**	**25,635**
Depreciation	**–**	**–**	**–**	**14,448**	**14,448**
Amortisation	**–**	**–**	**–**	**4,895**	**4,895**
Bank interest income	**–**	**–**	**–**	**(95,217)**	**(95,217)**
Finance costs	**–**	**–**	**–**	**248,548**	**248,548**
Income tax expenses	**–**	**–**	**–**	**68,108**	**68,108**

For the year ended 31 December 2022

	ICT consumer products *HK$'000*	ICT corporate products *HK$'000*	Others *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:					
Impairment loss under expected credit loss model, net of reversal	9,252	(221)	34,156	–	43,187
Allowance (reversal of allowance) for inventories	7,965	(14,903)	(2,654)	–	(9,592)
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:					
Research and development expenses	–	–	–	27,213	27,213
Addition to non-current assets	–	–	–	12,544	12,544
Depreciation	–	–	–	13,106	13,106
Amortisation	–	–	–	4,934	4,934
Bank interest income	–	–	–	(33,908)	(33,908)
Finance costs	–	–	–	211,088	211,088
Income tax expenses	–	–	–	75,603	75,603

Geographical information

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

	2023	2022
	HK$'000	*HK$'000*
Mainland, China	**36,878,399**	38,196,983
Other regions	**292,233**	142,126
	37,170,632	38,339,109

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

	2023	2022
	HK$'000	*HK$'000*
Other regions	**31**	2
Mainland, China	**36,946**	31,163
	36,977	31,165

* Non-current assets excluded financial instruments and deferred tax assets.

None of the Group's customers contributed over 10% of the total revenue of the Group for both years.

6. FINANCE COSTS

	2023	2022
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings	**86,064**	68,014
Discounted bills receivables and supplier chain financing arrangements	**148,063**	128,900
Guarantee fee	**13,928**	13,689
Lease liabilities	**493**	485
	248,548	211,088

7. INCOME TAX EXPENSES

	2023	2022
	HK$'000	*HK$'000*
Current tax:		
The PRC Enterprise Income Tax ("EIT")		
— Provision for the year	**78,918**	65,474
— Underprovision in prior years	**9,714**	6,470
Hong Kong Profits Tax		
— Provision for the year	**750**	3,659
— Underprovision in prior years	**672**	–
	90,054	75,603
Deferred taxation	**(21,946)**	–
	68,108	75,603

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 of Hong Kong Profits Tax, 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 Hong Kong 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 years.

Beijing Jiacun Intelligence Cloud Technology Co., Ltd operating in the PRC has been accredited as a "High and New Technology Enterprise" by the Ministry of Science and Technology, the PRC and relevant authorities for a term of three years from calendar year of 2020 to 2022 and have been registered with the local tax authorities for enjoying the reduced 15% EIT rate. Accordingly, the profits derived by this subsidiary was subject to 15% EIT rate for the year ended 31 December 2022 while the EIT rate for this subsidiary changed to 25% starting from calendar year of 2023.

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

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

	2023	2022
	HK$'000	*HK$'000*
Profit before tax	**428,648**	441,419
Tax at the domestic income tax rate of 25% (2022: 25%) *(Note)*	**107,162**	110,355
Tax effect of income not taxable for tax purpose	**(138)**	(5,922)
Tax effect of expenses not deductible for tax purpose	**1,699**	4,267
Effect of tax exemption and tax concessions	**(46,800)**	(43,283)
Tax effect of tax losses not recognised	**965**	1,471
Utilisation of tax losses not recognised	**–**	(2,335)
Recognition of deductible temporary differences previously not recognised	**(19,985)**	–
Tax effect of deductible temporary differences not recognised	**15,528**	17,170
Utilisation of deductible temporary differences not recognised	**(7,791)**	(10,557)
Underprovision in prior years	**10,386**	6,470
Others	**7,082**	(2,033)
Income tax expenses	**68,108**	75,603

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

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained earnings of the PRC subsidiaries amounting to HK$3,160,993,000 (2022: HK$2,910,569,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

8. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	2023	2022
	HK$'000	*HK$'000*
Depreciation for plant and equipment	**1,744**	1,874
Depreciation for right-of-use assets	**12,704**	11,232
Amortisation of intangible assets	**4,895**	4,934
Auditor's remuneration	**2,449**	2,700
Directors' emoluments	**24,655**	20,196
Cost of inventories recognised as an expense	**35,870,017**	37,066,598
Staff costs (including directors' emoluments)		
— Salaries and related staff costs	**342,780**	357,219
— Retirement benefits scheme contributions	**81,457**	74,873
	424,237	432,092
Reversal of allowance for inventories, net (included in cost of sales)	**(3,444)**	(9,592)
Impairment loss under expected credit loss model, net of reversal	**71,223**	43,187
Research and development expenses *(Note)*	**26,894**	27,213

Note: Included in the research and development expenses, approximately HK$17,292,000 (2022: HK$18,075,000) are related to staff costs.

9. EARNINGS PER SHARE

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

	2023	2022
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to owners of the Company	**360,540**	365,816
Less: Earnings attributable to convertible preference shares	**(156,511)**	(158,800)
Earnings for the purpose of basic earnings per share	**204,029**	207,016
Add: Earnings attributable to convertible preference shares	**156,511**	158,800
Earnings for the purpose of diluted earnings per share	**360,540**	365,816

	2023	2022
	'000	*'000*
Number of Shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,454,652**	1,454,652
Weighted average number of convertible preference shares for the purpose of diluted earnings per share	**1,115,868**	1,115,868
Weighted average number of shares for the purpose of diluted earnings per share	**2,570,520**	2,570,520

10. TRADE RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Trade receivables	**5,013,333**	4,334,424
Less: Allowance for credit losses	**(149,675)**	(110,234)
Trade receivables	**4,863,658**	4,224,190

As at 1 January 2022, trade receivables from contracts with customers amounted to HK$4,385,787,000.

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

	2023	2022
	HK$'000	*HK$'000*
Within 30 days	**1,652,923**	1,288,210
31–60 days	**866,229**	790,146
61–90 days	**405,772**	339,586
91–180 days	**538,203**	505,022
181–365 days	**392,920**	254,508
Over 1 year	**1,007,611**	1,046,718
	4,863,658	4,224,190

The Group allows a credit period ranging from 0–180 days (2022: 0–180 days) to its third party trade customers. As at 31 December 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$1,756,884,000 (2022: HK$1,660,820,000) which are past due but not impaired as at the reporting date. Out of the past due balances, HK$1,188,006,000 (2022: HK$1,185,999,000) has been past due 90 days or more and is not considered as in default as the Group continues to maintain businesses relationship and there are stable repayment from debtors and the amounts are still considered fully recoverable.

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

	2023	2022
	HK$'000	*HK$'000*
Trade and bills payable	**7,121,164**	5,128,275
Bills payable under supplier chain financing	**4,694,384**	4,974,790
	11,815,548	10,103,065

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

	2023	2022
	HK$'000	*HK$'000*
Within 30 days	**1,249,025**	1,454,234
31–60 days	**317,232**	363,357
61–90 days	**52,769**	136,621
91–180 days	**97,517**	100,730
181–365 days	**97,676**	42,238
Over 1 year	**96,250**	110,610
	1,910,469	2,207,790

The credit period on purchase of goods is ranging from 30–120 days (2022: 30–120 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

The Group has entered into certain supplier finance arrangements with banks. Under these arrangements, the banks pay suppliers the amounts owed by the Group in advance of the original due dates at a discount offered by the suppliers. The Group's obligations to suppliers are legally extinguished on settlement by the relevant banks. The Group then settles with the banks between 4–365 days after settlement by the banks with interest ranges from 1.10%– 3.40%, which may be extended beyond the original due dates of respective invoices. The interest rates are consistent with the Group's short term borrowing rates.

In the consolidated statement of cash flows, repayments to the banks are included within financing cash flows based on the nature of the arrangements.

12. DIVIDENDS

	2023	2022
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2022 Final — HK5 cents per share (2022: 2021 Final — HK5 cents per share)	**128,526**	128,526

The directors recommend the payment of a final dividend of HK5 cents (2022 Final: HK5 cents) per share in respect of the year ended 31 December 2023 which is subject to approval by the shareholders in the forthcoming annual general meeting.

CHAIRMAN'S STATEMENT

Dear Shareholders,

In 2023, the international economy, trade and investment slowed down, high inflation, high interest rates and high debt impeded economic recovery, and global economic growth further slowed down. The Group actively responded to the adverse effects of the external environment, and the overall business continued to develop steadily.

BUSINESS REVIEW

In 2023, amidst the ongoing geopolitical tension, the global economy remained unstable and the pace of recovery appeared to be slow. China's economy was challenged by the increasing complexity, severity and uncertainty of the external environment and the cyclical and structural contradictions of the internal environment, but with great efforts to expand domestic demand and optimize the structure, the economy has rebounded and improved gradually. In 2023, the Group, faced with the challenges posed by a complex and severe economic environment and insufficient demand, responded swiftly to changes in the market and competition, seized market opportunities, promoted innovation and development, strengthened its operation and management, and maintained a steady performance and a positive development trend overall. At the same time, the Group remained committed to its strategic goals, accelerated the expansion and development of innovative businesses, built core competencies, and continued to promote strategic transformation and upgrading.

In 2023, the Group recorded an income of about HK$37,170.63 million, down by 3.05% over the same period of the previous fiscal year; gross margin in 2023 was 3.5%, up by about 0.18 percentage point from the same period of the previous fiscal year, mainly due to the change in sales contribution of the product line. The profit attributable to shareholders in 2023 was approximately HK$360.54 million, down by about 1.44% over the same period of the previous fiscal year and the basic earnings per share was HK$14.03 cents, down by HK$0.2 cents from HK$14.23 cents in the same period of the previous fiscal year.

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

As at 31 December 2023, the turnover and profits of the three operating segments of the Company were analyzed as follows (RMB exchange rate fluctuations may affect the number/percentage of segments):

ICT consumer product distribution business: The business segment maintained close cooperation with core manufacturers and took proactive actions to address the challenges posed by sluggish market demand, and made every effort to expand the featured product line through online and offline channels in order to capture greater market share. By applying modern information technology and leveraging its rich marketing experience, the segment continued to innovate its business model, empowered its channels with digital and intelligent expertise, and provided diversified marketing services. The segment actively expanded consumer products and channel system in Indonesia and the Philippines, and steadily promoted the development of overseas business. The business's turnover decreased by 13.80% to HK$16,830.93 million over the same period of last year, while its profit decreased by 10.71% to HK$309.95 million.

ICT corporate product distribution business: The business segment strengthened cooperation with domestic brands and leveraged on the advantages of advanced products and technology of its partners to bolster the capabilities of solution development and technical services, so as to develop intelligent application solutions for its partners in various cutting-edge areas such as cloud computing, big data, artificial intelligence, digital-reality convergence, network security, and to provide services to customers throughout their entire lifecycle of digitalization and intelligentization, and ultimately improve the value of customer services and business growth. The business's turnover increased by 6.37% to HK$12,379.91 million over the same period of last year, and its profit increased by 1.28% to HK$411.61 million.

Other businesses: Due to the growth in sales of smartphones, the business's turnover increased by 10.95% to HK$7,959.80 million over the same period of last year, and due to the decline in gross profit of smartphone, its profit decreased by 8.88% to HK$57.85 million.

OUTLOOK

Looking forward to 2024, as the development of the world economy is still faced with many uncertainties and unstable factors, such as the debt crisis, inflation and geopolitical conflicts, there will remain a number of risks and challenges for economic growth. In 2024, China will adhere to the principle of seeking progress while maintaining stability, consolidate and strengthen the economic upturn and press on with the effective improvement in quality and reasonable growth in quantity of the economy. Digital economy is a key core force for the high-quality development of China's economy and an important engine for stabilizing growth and promoting transformation. The government work report for 2024 clearly pointed out that new quality productivity should be developed at a faster pace, and the innovative development of the digital economy should be further promoted. Policies will be formulated to support the high-quality development of the digital economy, actively promote digital industrialization and industrial digitalization, and facilitate the deep integration of digital technology and the real economy. With the rapid development and wide application of digital technologies such as 5G, high-performance computing, and artificial intelligence, digital transformation is a key strategy to reshape the industrial ecology and business model, and to maintain a competitive edge. In 2024, the Group will adopt the business approach 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

27 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL SUMMARY

- Revenue for the year ended 31 December 2023 was approximately HK$37,170.63 million (2022: HK$38,339.11 million), representing a decrease of 3.05% as compared with the previous year. This decrease was mainly attributable to the fluctuations in the Renminbi exchange rate.

- Profit for the year ended 31 December 2023 was approximately HK$360.54 million (2022: HK$365.82 million), representing a decrease of 1.44% as compared with the previous year. This decrease was mainly attributable to the fluctuations in the Renminbi exchange rate.

- Total comprehensive income for the year ended 31 December 2023 was approximately HK$311.11 million (2022: HK$78.23 million). This decrease was mainly attributable to the fluctuations in the Renminbi exchange rate.

LIQUIDITY AND FINANCIAL RESOURCES

For the year ended 31 December 2023, the Group's financial and liquidity positions remained healthy and stable. As at 31 December 2023, the aggregate outstanding bank borrowings of the Group were approximately HK$1,780.97 million (2022: HK$2,548.37 million), which were interest bearing. The increase in the Group's bank borrowings was due to the increase in demand for payment as compared with the corresponding period of last year. The Group's cash and bank balances amounted to approximately HK$6,129.16 million (2022: HK$5,566.90 million), together with trade and bills receivables amounting to approximately HK$4,967.33million (2022: HK$4,270.35 million). For the year ended 31 December 2023, the Group's net current assets amounted to approximately HK$2,724.77 million (2022: HK$2,571.12 million) and the Group did not have any charges on its fixed assets (2022: Nil). The net gearing ratio (total net debt/total shareholders' equity) of the Group As at 31 December 2023 was 5.19 times (2022: 5.07 times). The management of the Group is confident that with proper funding arrangements, the Group's financial resources are sufficient to finance its daily operations.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

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

As at 31 December 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 mainly denominated in Renminbi, Hong Kong dollars and United States dollars. The Group conducts its core business transaction mainly in Renminbi, Hong Kong dollars and United States dollars. The Group did not use any derivative instruments to hedge its foreign currency exposure as the Group considered its foreign currency exposure insignificant.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2023, the total number of the Group's staff was 1,466 (2022: 1,357 staff). For the year ended 31 December 2023, total staff costs (including Directors) amounted to approximately HK$424.24 million (2022: HK$432.09 million). The Group remunerates its employees based on their performance, experience and the prevailing industry practice. The remuneration of executive Directors is determined based on the Company's financial position in a fixed sum; whereas the remuneration of independent non-executive Directors is determined with reference to the prevailing market conditions and the workload. The Group provides retirement benefit for its employees in Hong Kong in the form of mandatory provident fund, and pays social pension insurance and housing provident fund for its employees in China in accordance with the local laws and regulations.

During the year ended 31 December 2023, there were no outstanding share options adopted by the Company granted or exercised.

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

CAPITAL STRUCTURE

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

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

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

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

To expand the Group's e-commerce business, on 12 April 2019, Changhong IT Digital (the "WFOE"), OPCO, and Sichuan Changhong Holding entered into the VIE Agreements. Through the VIE Agreements, the WFOE will have effective control over the finance and operation of the OPCO and will enjoy the entire economic interests and benefits generated by the OPCO. The Group intends for the OPCO to establish a new business-to-business e-commerce platform, which will connect third-party merchants with each other. The VIE Agreements had been approved by the shareholders at the special general meeting of the Company held on 17 May 2019. For further details, please refer to the announcements of the Company dated 12 April 2019 and 17 May 2019, and the circular of the Company dated 30 April 2019.

Save as disclosed above, the Group did not have any significant investments, acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2023.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCES OF FUNDING

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

CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any material contingent liabilities.

EVENTS OCCURRED AFTER THE END OF THE FINANCIAL YEAR

There were no significant events occurred that might affect the Group after 31 December 2023.

FINAL DIVIDEND

The Board recommended the payment of final dividend of HK$0.05 per share of the Company (the "Share(s)") in respect of the year ended 31 December 2023 (2022: HK$0.05 per Share), amounting to HK$128,526,000 (calculated based on 1,454,652,000 ordinary shares in issue and 1,115,868,000 preference shares in issue on 27 March 2024), and there is no arrangement that a Shareholder has waived or agreed to waive any dividend. The final dividend is expected to be paid on Friday, 21 June 2024 to all Shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 6 June 2024 and is subject to approval by the Shareholders at the forthcoming annual general meeting of the Company (the "AGM").

The declared final dividend for the year ended 31 December 2022 of HK$128,526,000 in total (HK$0.05 per Share) was paid on 23 June 2023.

CLOSURE OF REGISTER OF MEMBERS FOR AGM

The AGM is scheduled to be held on Friday, 24 May 2024. The Company's register of members will be closed from Tuesday, 21 May 2024 to Friday, 24 May 2024, both days inclusive, for the purpose of determining the entitlements of the Shareholders to attend and vote at the AGM. During this period, no transfer of Shares will be registered. In order to qualify for attending and voting at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited of Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 20 May 2024.

CLOSURE OF REGISTER OF MEMBERS FOR PROPOSED FINAL DIVIDEND

The Company's register of members will be closed from Tuesday, 4 June 2024 to Thursday, 6 June 2024, both days inclusive, for the purpose of determining the entitlements of the Shareholders to the proposed final dividend of HK$0.05 per Share for the year ended 31 December 2023, if approved at the AGM. During this period, no transfer of Shares will be registered. In order to qualify for the proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited of Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 3 June 2024.

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

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the corporate governance code (the "CG Code") as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") which sets out corporate governance principles and code provisions (the "Code Provisions"). Throughout the year ended 31 December 2023, the Company has complied with all the Code Provisions as set out under the CG Code, except the following deviation:

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

STANDARD OF DEALINGS AND CODE OF CONDUCT FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules as its own code of conduct regarding Directors' dealings in securities of the Company (the "Code of Conduct"). Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standards as set out in the Code of Conduct throughout the year ended 31 December 2023.

REVIEW OF ANNUAL RESULTS

The annual results for the year ended 31 December 2023 have been reviewed and agreed by the audit committee of the Company.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2023 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND 2023 ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.changhongit.com). The 2023 annual report will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in April 2024.

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

Hong Kong, 27 March 2024

As at the date of this announcement, the executive Directors are Mr. Zhu Jianqiu, Mr. Zhang Xiaolong, Mr. Shao Min, 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.