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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 2022

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 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

		2022	2021
	NOTES	HK\$'000	HK\$'000
Revenue	3	38,339,109	44,558,173
Cost of sales		<u>(37,066,598)</u>	<u>(43,239,733)</u>
Gross profit		1,272,511	1,318,440
Other income	4	61,326	67,530
Distribution and selling expenses		(412,280)	(437,078)
Research and development expenses		(27,213)	(33,404)
Administrative expenses		(199,046)	(169,182)
Finance costs	6	(211,088)	(175,290)
Impairment loss on trade receivables, net		(43,187)	(61,955)
Exchange gain (loss), net		<u>396</u>	<u>(2,816)</u>

	<i>NOTES</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Profit before tax		441,419	506,245
Income tax expenses	7	<u>(75,603)</u>	<u>(92,998)</u>
Profit for the year attributable to the owners of the Company	8	<u>365,816</u>	<u>413,247</u>
Other comprehensive (expense) income <i>Item that will not be reclassified to profit or loss:</i>			
Exchange differences arising from translation of consolidated financial statements to presentation currency		<u>(287,586)</u>	<u>87,389</u>
Total comprehensive income for the year		<u>78,230</u>	<u>500,636</u>
Earnings per share	9		
Basic and diluted (<i>HK cents</i>)		<u>14.23</u>	<u>16.08</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	<i>NOTES</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets			
Plant and equipment		4,158	5,668
Intangible assets		17,370	21,661
Right-of-use assets		9,637	12,524
Financial asset at fair value through profit or loss		<u>33,051</u>	<u>35,196</u>
		<u>64,216</u>	<u>75,049</u>
Current assets			
Inventories		5,284,511	3,667,994
Trade receivables	10	4,224,190	4,385,787
Bills receivables at fair value through other comprehensive income		46,159	59,030
Prepayments, deposits and other receivables		302,654	189,568
Amounts due from related companies		621	8,306
Trade deposits paid		461,517	690,871
Pledged bank deposits		5,211,209	2,687,475
Bank balances and cash		<u>355,687</u>	<u>707,365</u>
		<u>15,886,548</u>	<u>12,396,396</u>
Current liabilities			
Trade and bills payables	11	5,128,275	4,704,504
Bills payables under supplier chain financing		4,974,790	3,135,220
Other payables		323,428	445,043
Tax payables		18,985	12,046
Borrowings		2,548,366	1,179,675
Amounts due to related companies		59,453	22,585
Contract liabilities		256,029	276,973
Lease liabilities		<u>6,105</u>	<u>8,612</u>
		<u>13,315,431</u>	<u>9,784,658</u>
Net current assets		<u>2,571,117</u>	<u>2,611,738</u>
Total assets less current liabilities		<u>2,635,333</u>	<u>2,686,787</u>

	2022	2021
<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Government grants	790	1,341
Lease liabilities	4,579	5,186
	<u>5,369</u>	<u>6,527</u>
Net assets	<u>2,629,964</u>	<u>2,680,260</u>
Capital and reserves		
Share capital	36,366	36,366
Convertible preference shares	27,897	27,897
Reserves	2,565,701	2,615,997
	<u>2,629,964</u>	<u>2,680,260</u>
Total equity	<u>2,629,964</u>	<u>2,680,260</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	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 2021	36,366	27,897	115,438	(1,248,106)	426	(203,432)	1,658,062	1,921,499	2,308,150
Profit for the year	-	-	-	-	-	-	-	413,247	413,247
Exchange differences arising from translation of consolidated financial statements to presentation currency	-	-	-	-	87,389	-	-	-	87,389
Total comprehensive income for the year	-	-	-	-	87,389	-	-	413,247	500,636
Appropriation to statutory reserve	-	-	5,009	-	-	-	-	(5,009)	-
Dividends recognised as distribution (Note 12)	-	-	-	-	-	-	(128,526)	-	(128,526)
At 31 December 2021	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 expense 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

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 2022

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 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 2022. 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”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following 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 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

Except as described below, the application of the 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 HKFRSs Annual Improvements to HKFRSs 2018–2020

The Group has applied the amendments for the first time in the current year. The annual improvements make amendments to the following standards:

HKFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the “10 per cent” test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other’s behalf.

In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged as at the date of initial application, 1 January 2022.

HKFRS 16 Leases

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

HKAS 41 Agriculture

The amendment ensures consistency with the requirements in HKFRS 13 Fair Value Measurement by removing the requirement in paragraph 22 of HKAS 41 to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1	Non-Current Liabilities with Covenants ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or 1 January 2024.

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

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

HKAS 1 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 is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies. The impacts of application, if any, will be disclosed in the Group’s future consolidated financial statements.

Amendments to HKAS 8 Definition of Accounting Estimates

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 — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group’s consolidated financial statements.

Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the relevant assets and liabilities separately. Temporary differences on initial recognition of the relevant assets and liabilities are not recognised due to application of the initial recognition exemption.

Upon the application of the amendments, the Group will recognise 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 differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for the Group’s annual reporting period beginning on 1 January 2023. As at 31 December 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to HK\$9,637,000 and HK\$10,684,000 respectively. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of retained earnings at the beginning of the earliest comparative period presented.

3. REVENUE

(i) Disaggregation of revenue from contracts with customers

Segments	For the year ended 31 December 2022			
	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	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
	<u>19,525,986</u>	<u>11,638,705</u>	<u>7,174,418</u>	<u>38,339,109</u>
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
	<u>19,525,986</u>	<u>11,638,705</u>	<u>7,174,418</u>	<u>38,339,109</u>

Segments	For the year ended 31 December 2021			
	ICT consumer products HK\$'000	ICT corporate products HK\$'000	Others HK\$'000	Total HK\$'000
Types of goods or service				
Sales of ICT products	19,652,097	12,476,542	169,760	32,298,399
Sales of smartphone and own brand products	–	–	12,147,744	12,147,744
Sales of warranty packages and professional integrated ICT solutions	18,635	43,907	18,960	81,502
Provision of ICT services	–	–	30,528	30,528
	<u>19,670,732</u>	<u>12,520,449</u>	<u>12,366,992</u>	<u>44,558,173</u>
Timing of revenue recognition				
A point of time	19,670,732	12,520,449	12,336,464	44,527,645
Overtime	–	–	30,528	30,528
	<u>19,670,732</u>	<u>12,520,449</u>	<u>12,366,992</u>	<u>44,558,173</u>

(ii) Performance obligations for contracts with customers

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.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bank interest income	33,908	31,453
Government grants	27,163	31,984
Gain on fair value changes of financial assets at FVTPL	19	3,578
Others	236	515
	<u>61,326</u>	<u>67,530</u>

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 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.

The accounting policies of the reportable and operating segments are the same as the Group’s accounting policies. Segment profit represents the profit earned by each segment without allocation of other income, research and development expenses, finance costs, exchange 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, bank balances and cash, and financial asset at FVTPL. 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 2022

	ICT consumer products HK\$'000	ICT corporate products HK\$'000	Others HK\$'000	Total HK\$'000
Revenue				
External sales	<u>19,525,986</u>	<u>11,638,705</u>	<u>7,174,418</u>	<u>38,339,109</u>
Segment profit	<u>347,135</u>	<u>406,414</u>	<u>63,495</u>	<u>817,044</u>
Other income				61,326
Research and development expenses				(27,213)
Administrative expenses				(199,046)
Exchange gain, net				396
Finance costs				<u>(211,088)</u>
Profit before tax				<u>441,419</u>
Segment assets	<u>4,720,480</u>	<u>4,088,812</u>	<u>1,207,706</u>	<u>10,016,998</u>
Unallocated assets:				
Pledged bank deposits				5,211,209
Bank balances and cash				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				<u>33,051</u>
Total consolidated assets				<u>15,950,764</u>
Segment liabilities	<u>5,172,103</u>	<u>3,908,970</u>	<u>1,278,021</u>	<u>10,359,094</u>
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				<u>6,105</u>
Total consolidated liabilities				<u>13,320,800</u>

For the year ended 31 December 2021

	ICT consumer products <i>HK\$'000</i>	ICT corporate products <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue				
External sales	<u>19,670,732</u>	<u>12,520,449</u>	<u>12,366,992</u>	<u>44,558,173</u>
Segment profit	<u>324,752</u>	<u>375,641</u>	<u>119,014</u>	819,407
Other income				67,530
Research and development expenses				(33,404)
Administrative expenses				(169,182)
Exchange loss, net				(2,816)
Finance costs				<u>(175,290)</u>
Profit before tax				<u>506,245</u>
Segment assets	<u>3,743,344</u>	<u>3,773,750</u>	<u>1,294,894</u>	8,811,988
Unallocated assets:				
Pledged bank deposits				2,687,475
Bank balances and cash				707,365
Prepayments, deposits and other receivables				189,568
Plant and equipment				5,668
Right-of-use assets				12,524
Intangible assets				21,661
Financial asset at FVTPL				<u>35,196</u>
Total consolidated assets				<u>12,471,445</u>
Segment liabilities	<u>4,539,362</u>	<u>3,000,532</u>	<u>576,803</u>	8,116,697
Unallocated liabilities:				
Other payables				445,043
Amounts due to related companies				22,585
Government grants				1,341
Tax payables				12,046
Borrowings				1,179,675
Lease liabilities — non current				5,186
Lease liabilities — current				<u>8,612</u>
Total consolidated liabilities				<u>9,791,185</u>

For the year ended 31 December 2022

	ICT consumer products <i>HK\$'000</i>	ICT corporate products <i>HK\$'000</i>	Others <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measure of segment profit or loss or segment assets:					
Impairment loss (gain) on trade receivables, net	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
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

For the year ended 31 December 2021

	ICT consumer products <i>HK\$'000</i>	ICT corporate products <i>HK\$'000</i>	Others <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measure of segment profit or loss or segment assets:					
Impairment loss on trade receivables, net	9,524	42,051	10,380	–	61,955
Allowance (reversal of allowance) for inventories	15,234	32,978	(3,141)	–	45,071
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:					
Research and development expenses	–	–	–	33,404	33,404
Addition to non-current assets	–	–	–	18,515	18,515
Depreciation	–	–	–	12,176	12,176
Amortisation	–	–	–	4,402	4,402
Bank interest income	–	–	–	(31,453)	(31,453)
Finance costs	–	–	–	175,290	175,290
Income tax expenses	–	–	–	92,998	92,998
	<u>–</u>	<u>–</u>	<u>–</u>	<u>92,998</u>	<u>92,998</u>

Geographical information

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Mainland, China	38,196,983	44,427,632
Other regions	142,126	130,541
	<u>38,339,109</u>	<u>44,558,173</u>

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

	2022	2021
	HK\$'000	HK\$'000
Other regions	2	2
Mainland, China	31,163	39,851
	31,165	39,853

* *Non-current assets excluded financial instruments.*

Information about major customer

Revenue from the customer of the corresponding years contributing over 10% of total revenue of the Group are as follows. Revenue from customer A contributed less than 10% of the total revenue for the year ended 31 December 2022.

	Year ended	
	2022	2021
	HK\$'000	HK\$'000
Customer A**	N/A	7,941,838

** *Revenue from “ICT consumer products” and “others” segments*

6. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on:		
Bank borrowings	68,014	60,732
Discounted bills receivables and supplier chain financing arrangements	128,900	99,711
Guarantee fee	13,689	14,313
Lease liabilities	485	534
	<u>211,088</u>	<u>175,290</u>

7. INCOME TAX EXPENSES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax:		
The PRC Enterprise Income Tax (“EIT”)		
— Provision for the year	65,474	86,562
— Underprovision in prior years	6,470	6,436
Hong Kong Profits Tax	3,659	—
	<u>75,603</u>	<u>92,998</u>

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, and have been registered with the local tax authorities for enjoying the reduced 15% EIT rate. Accordingly, the profits derived by the subsidiary are subject to 15% EIT rate for the years ended 31 December 2022 and 2021. The qualification as a High and New Technology Enterprise will be subject to review every three years by the relevant tax authorities in the PRC.

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit before tax	<u>441,419</u>	<u>506,245</u>
Tax at the domestic income tax rate of 25% (2021: 25%) (<i>Note</i>)	110,355	126,561
Tax effect of income not taxable for tax purpose	(5,922)	(12)
Tax effect of expenses not deductible for tax purpose	4,267	3,735
Effect of tax exemption and tax concessions	(43,283)	(57,708)
Tax effect of tax losses not recognised	1,471	6,486
Utilisation of tax losses not recognised	(2,335)	(916)
Tax effect of deductible temporary differences not recognised	17,170	18,916
Utilisation of deductible temporary differences not recognised	(10,557)	(764)
Underprovision in prior years	6,470	6,436
Others	<u>(2,033)</u>	<u>(9,736)</u>
Income tax expenses	<u>75,603</u>	<u>92,998</u>

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\$2,910,569,000 (2021: HK\$2,824,276,000) 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.

At the end of the reporting period, the Group has unused tax losses of HK\$68,534,000 (2021: HK\$71,990,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Unrecognised tax losses of approximately HK\$49,890,000 (2021: HK\$53,186,000) will expire from 2023 to 2032 (2021: 2023 to 2031), and approximately HK\$18,644,000 (2021: HK\$18,804,000), subject to agreement by Hong Kong Inland Revenue Department, may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences in relation to allowance for inventories, provisions for ECL and other miscellaneous expense deductions of HK\$270,027,000 (2021: HK\$243,575,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

8. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Depreciation for plant and equipment	1,874	2,112
Depreciation for right-of-use assets	11,232	10,064
Amortisation of intangible assets	4,934	4,402
Auditor's remuneration	2,700	2,761
Directors' emoluments	20,196	17,454
Cost of inventories recognised as an expense	37,066,598	43,239,733
Staff costs (including directors' emoluments)		
— Salaries and related staff costs	357,219	364,166
— Retirement benefits scheme contributions	74,873	66,073
	<u>432,092</u>	<u>430,239</u>
(Reversal of) allowance for inventories, net (included in cost of sales)	(9,592)	45,071
Impairment loss on trade receivables, net	43,187	61,955
Research and development expenses (<i>Note</i>)	<u>27,213</u>	<u>33,404</u>

Note: Included in the research and development expenses, approximately HK\$18,075,000 (2021: HK\$13,067,000) 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Earnings		
Profit for the year attributable to owners of the Company	365,816	413,247
Less: Earnings attributable to convertible preference shares	(158,800)	(179,391)
Earnings for the purpose of basic earnings per share	207,016	233,856
Add: Earnings attributable to convertible preference shares	158,800	179,391
Earnings for the purpose of diluted earnings per share	365,816	413,247
	2022 <i>'000</i>	2021 <i>'000</i>
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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	4,334,424	4,466,259
Less: Allowance for credit losses	(110,234)	(80,472)
Trade receivables	4,224,190	4,385,787

As at 1 January 2021, trade receivables from contracts with customers amounted to HK\$3,110,036,000.

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	1,288,210	1,361,470
31–60 days	790,146	962,161
61–90 days	339,586	334,596
91–180 days	505,022	325,960
181–365 days	254,508	1,189,158
Over 1 year	1,046,718	212,442
	<u>4,224,190</u>	<u>4,385,787</u>

The Group allows a credit period ranging from 0–180 days (2021: 30–180 days) to its third party trade customers. As at 31 December 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$1,660,820,000 (2021: HK\$1,541,802,000) which are past due but not impaired as at the reporting date. Out of the past due balances, HK\$1,185,999,000 (2021: HK\$1,003,648,000) 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 PAYMENTS UNDER SUPPLIER CHAIN FINANCING

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	1,454,232	1,738,323
31–60 days	363,357	655,666
61–90 days	136,621	38,489
91–180 days	100,730	40,425
181–365 days	42,238	43,458
Over 1 year	110,610	99,171
	<u>2,207,790</u>	<u>2,615,532</u>

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

12. DIVIDENDS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
2021 Final — HK5 cents per share		
(2021: 2020 Final — HK5 cents per share)	<u>128,526</u>	<u>128,526</u>

The directors recommend the payment of a final dividend of HK5 cents (2021 Final: HK5 cents) per share in respect of the year ended 31 December 2022 which is subject to approval by the shareholders in the forthcoming annual general meeting.

CHAIRMAN’S STATEMENT

Dear Shareholders,

In 2022, global economic development had been significantly slowed down by the impact of the Coronavirus Disease 2019 epidemic (“COVID-19 epidemic”) and the Russian-Ukrainian conflict. The Group actively responded to the adverse effects of the COVID-19 epidemic, and the overall business continued to develop steadily.

BUSINESS REVIEW

In 2022, the global economy was hit hard by COVID-19 resurgence, escalation of geopolitical conflicts, high inflation and frequent occurrence of major climate disasters. China has efficiently coordinated the prevention and control of the epidemic as well as the economic and social development, effectively coped with internal and external challenges, and sustained national economic development. In 2022, in spite of the adverse impact of recurring epidemic outbreaks and the harsh and complex environment, the Group managed to maintain a stable performance and good development momentum through concerted efforts and persistent hard work. Following the development trend of the digital economy, the Company took “new cognition, new kinetic energy, and smart partner” as its business policy in 2022, seized new opportunities in the era of the Internet of Things and cloud applications, developed new models and new momentum for development, accelerated the construction of cloud integrated service innovation business model and promoted business transformation and upgrade.

In 2022, the Group recorded an income of about HK\$38,339.11 million, down by 13.96% over the same period of the previous fiscal year; gross margin in 2022 was 3.32%, up by about 0.36 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 2021 was approximately HK\$365.82 million, down by about 11.48% over the same period of the previous fiscal year and the basic earnings per share was HK\$14.23 cents, down by HK\$1.85 cents from HK\$16.08 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 efficiency and convenience. 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 distribution and selling expenses decreased compared with the same period of last year, mainly due to the decrease in logistics expenses and travel

expenses compared with the same period of last year; administrative expenses increased compared with the same period of last year, mainly due to the increase in expenses such as labor costs and stamp duty compared with the same period of last year; financing expenses rose compared with the same period of last year due to the increase in financing scale.

As at 31 December 2022, 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 strengthened the communication and cooperation with core manufacturers, strived to expand and diversify the featured product line. Through the in-depth integrated development of online and offline channels, omni-channel marketing was achieved to meet individual marketing needs of different partners. The Company provided efficient and intelligent marketing services to its upstream and downstream partners by innovating its business model with the support of digital intelligence technology. The Company actively expanded its consumer products and channel system in Indonesia, and steadily promoted the development of overseas business. The Company innovated and leveraged the advantages of omni-channel marketing to connect and empower domestic brands, providing them with comprehensive solutions for full-chain brands from design, production, market, sales, and services and creating a full-chain service brand. The business's turnover decreased by 0.74% to HK\$19,525.99 million over the same period of last year, and its profit increased by 6.89% to HK\$347.14 million.

ICT corporate product distribution business: The business segment strengthened the cooperation with domestic brands, established in-depth cooperative relationships with leading manufacturers in the fields of ICT infrastructure and new energy and continued to promote the expansion of key domestic brands. The Company strengthened the multi capacity building in terms of service, technology and R&D, focused on improving the value of customer service in key industries, and built an integrated business system of trade, service, technology and research. Capitalizing on its own advantages in technology and resources, the Company integrated the resources of cloud manufacturers and ecosystem, created a digitalized cloud ecological operating comprehensive service platform, and accelerated the construction of innovative service models for cloudification and cloud services. The business's turnover decreased by 7.04% to HK\$11,638.71 million over the same period of last year, and its profit increased by 8.19% to HK\$406.41 million.

Other businesses: Due to the decline of sales in smartphones, the business's turnover decreased by 41.99% over the same period of last year to HK7,174.42 million; and its profit decreased by 46.65% to HK\$63.50 million.

OUTLOOK

Looking forward to 2023, the global economic growth is expected to slow down, uncertainties such as the conflict between Russia and Ukraine and high inflation will persist, and China's economic growth will still be facing many risks and challenges. With the effective implementation of macro policy measures, a strong impetus has been provided for expanding domestic demand and economic development. In 2023, China's economy is expected to maintain a continuous recovery trend. The digital economy is an important engine for China to accelerate the construction of a new development pattern and high-quality economic development. According to China's "14th Five-Year Plan for Digital Economy Development", by 2025, China's digital economy will enter a period of comprehensive expansion, and the ability to lead development through digital innovation will be much enhanced, the level of intelligence will be significantly increased, and the integration of digital technology and the real economy will achieve remarkable results. In 2023, the Group will seize the development opportunities of digital economy, adopt the business approach of "focusing on being a value partner of digital intelligence", and strive to build an intelligent business system, pay attention to business and management, develop and enhance its core capabilities of digitalization and intelligence, empower itself and its partners and customers for value enhancement, serve as a remarkable digitalization and intelligentization comprehensive service provider and value partner in the new era, achieve new development in a new era together with its partners, and make greater contributions to its shareholders.

ZHU Jianqiu

Chairman

30 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL SUMMARY

- Revenue for the year ended 31 December 2022 was approximately HK\$38,339.11 million (2021: HK\$44,558.17 million), representing a decrease of 13.96% as compared with the previous year. This decrease was mainly attributable to the decline in smartphone sales.
- Profit for the year ended 31 December 2022 was approximately HK\$365.82 million (2021: HK\$413.25 million), representing an decrease of 11.48% as compared with the previous year. This decrease was mainly attributable to the decline in revenue.
- Total comprehensive income for the year ended 31 December 2022 was approximately HK\$78.23 million (2021: HK\$500.64 million). This decrease was mainly attributable to the fluctuations in the Renminbi exchange rate.

LIQUIDITY AND FINANCIAL RESOURCES

For the year ended 31 December 2022, the Group's financial and liquidity positions remained healthy and stable. As at 31 December 2022, the aggregate outstanding borrowings of the Group were approximately HK\$2,548.37 million (2021: HK\$1,179.68 million), which were unsecured and interest bearing. The increase in the Group's borrowings was due to the increase in demand of payment as compared with the corresponding period of last year. The Group's cash and bank balances amounted to approximately HK\$5,566.90 million (2021: HK\$3,394.84 million), together with trade and bills receivables amounting to approximately HK\$4,270.35 million (2021: HK\$4,444.82 million). For the year ended 31 December 2022, the Group's net current assets amounted to approximately HK\$2,571.12 million (2021: HK\$2,611.74 million) and the Group did not have any charges on its fixed assets (2021: Nil). The net gearing ratio (total net debt/total shareholders' equity) of the Group as at 31 December 2022 was 5.07 times (2021: 3.65 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 2022, the Group did not have any foreign currency investments which have been hedged by currency borrowings and other hedging instruments.

TREASURY POLICY

Cash and bank deposits of the Group are 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 is insignificant.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2022, the total number of the Group's staff was 1,357 (2021: 1,309 staff). For the year ended 31 December 2022, total staff costs (including Directors) amounted to approximately HK\$432.09 million (2021: HK\$430.24 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 2022, 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

The Group did not have any significant investments, acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2022.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCES OF FUNDING

The Group will continue to devote 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 date of this announcement.

CONTINGENT LIABILITIES

As at 31 December 2022, 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 2022.

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 2022 (2021: 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 30 March 2023), 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, 23 June 2023 to all Shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 8 June 2023 and is subject to approval by the Shareholders at the forthcoming annual general meeting of the Company (the “AGM”).

CLOSURE OF REGISTER OF MEMBERS FOR AGM

The AGM is scheduled to be held on Thursday, 25 May 2023. The Company’s register of members will be closed from Monday, 22 May 2023 to Thursday, 25 May 2023, 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 Friday, 19 May 2023.

CLOSURE OF REGISTER OF MEMBERS FOR PROPOSED FINAL DIVIDEND

The Company’s register of members will be closed from Tuesday, 6 June 2023 to Thursday, 8 June 2023, 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 2022, 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, 5 June 2023.

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

During the year ended 31 December 2022, 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 14 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 2022, 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.

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 10 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 2022.

REVIEW OF ANNUAL RESULTS

The annual results for the year ended 31 December 2022 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 2022 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 2022 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 2022 annual report will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in April 2023.

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

Hong Kong, 30 March 2023

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