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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)**

**(I) CONTINUING CONNECTED TRANSACTIONS IN RELATION  
TO RENEWAL OF THE MASTER SUPPLY AGREEMENT AND THE  
MASTER PURCHASE AGREEMENT;  
AND  
(II) MAJOR AND CONTINUING CONNECTED TRANSACTION  
IN RELATION TO THE RENEWAL OF THE FINANCIAL SERVICES  
AGREEMENT**

**Independent financial adviser to  
the Independent Board Committee and the Independent Shareholders**



**Giraffe Capital Limited**

**RENEWAL OF THE AGREEMENTS**

As the 2020 Master Supply Agreement and the 2020 Master Purchase Agreement will expire on 31 December 2020, the Company entered into (i) the 2021 Master Supply Agreement and (ii) the 2021 Master Purchase Agreement with Sichuan Changhong Holding on 17 November 2020 for a fixed term commencing from 1 January 2021 until 31 December 2023 (both dates inclusive).

As the 2018 Financial Services Agreement will also expire on 31 December 2020, Changhong IT, a wholly-owned subsidiary of the Company, entered into the 2021 Financial Services Agreement with Changhong Finance on 17 November 2020 for a fixed term commencing from 1 January 2021 until 31 December 2023 (both dates inclusive).

## **LISTING RULES IMPLICATIONS**

### **The 2021 Master Supply Agreement and the 2021 Master Purchase Agreement**

As at the date of the 2021 Master Supply Agreement and the 2021 Master Purchase Agreement, Sichuan Changhong Holding holds approximately 23.22% equity interest in Sichuan Changhong, the controlling shareholder of the Company, and has control over Sichuan Changhong. Both Sichuan Changhong Holding and Sichuan Changhong are controlling shareholders of the Company. Sichuan Changhong is a connected person of the Company under Chapter 14A of the Listing Rules. Sichuan Changhong Holding is an associate of a connected person of the Company, and thus a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the 2021 Master Supply Agreement and the 2021 Master Purchase Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios (excluding the profits ratio) under the Listing Rules in respect of the highest annual cap for the transactions contemplated under the 2021 Master Supply Agreement exceeds 5%, the transactions contemplated under the 2021 Master Supply Agreement are subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As all applicable percentage ratios (excluding the profits ratio) under the Listing Rules in respect of the highest annual cap for the 2021 Master Purchase Agreement exceed 0.1% but all of them are less than 5%, the transactions contemplated under the 2021 Master Purchase Agreement are subject to the reporting, announcement and annual review requirements but exempt from the circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **The 2021 Financial Services Agreement**

As at the date of the 2021 Financial Services Agreement, Changhong Finance is owned as to approximately 35.04% by each of Sichuan Changhong and Sichuan Changhong Holding respectively, and approximately 14.96% by each of Changhong Huayi and Changhong Meiling respectively. Changhong Finance is an associate of a connected person of the Company, and thus a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the 2021 Financial Services Agreement also constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios under the Listing Rules in respect of the maximum daily outstanding balance of the deposit services under the 2021 Financial Services Agreement exceed 5%, the deposit services under the 2021 Financial Services Agreement are subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. In addition, the deposits made in Changhong Finance are provision of financial assistance by the Company under Rule 14.04(1)(e) of the Listing Rules. As certain percentage ratios in respect of the placing of deposits in Changhong Finance exceed 25%, such placing of deposits also constitute a major transaction of the Company which is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The loan services under the 2021 Financial Services Agreement constitute financial assistance provided by a connected person. As such loan services would be provided on normal commercial terms or on terms which shall be more favorable to Changhong IT and would not be secured by the assets of the Group, the loan services under the 2021 Financial Services Agreement are fully exempt from the announcement, reporting, annual review, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios (excluding the profits ratio) under the Listing Rules in respect of the highest annual cap for the settlement services under the 2021 Financial Services Agreement are less than 5% and the highest annual cap is less than HK\$3,000,000, such settlement services are fully exempt from the reporting, announcement, annual review, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **GENERAL**

The Company will convene the SGM for the Independent Shareholders to consider and, if thought fit, approve the 2021 Master Supply Agreement, the deposit services under the 2021 Financial Services Agreement and each of the transactions contemplated thereunder. Save for Sichuan Changhong and its associates, none of the other Shareholders has a material interest in the 2021 Master Supply Agreement, the deposit services under the 2021 Financial Services Agreement and each of the transactions contemplated thereunder and is required to abstain from voting on the relevant resolutions in the SGM.

The Independent Board Committee has been established to advise the Independent Shareholders in relation to the 2021 Master Supply Agreement, the deposit services under the 2021 Financial Services Agreement and each of the transactions contemplated thereunder.

Giraffe Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders regarding the 2021 Master Supply Agreement, the deposit services under the 2021 Financial Services Agreement and each of the transactions contemplated thereunder (including the proposed annual caps).

## **DESPATCH OF CIRCULAR**

A circular containing, among other things, (i) the principal terms of the 2021 Master Supply Agreement, the deposit services under the 2021 Financial Services Agreement and each of the transactions contemplated thereunder (including the proposed annual caps); (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders regarding the 2021 Master Supply Agreement, the deposit services under the 2021 Financial Services Agreement and each of the transactions contemplated thereunder; (iii) a letter of advice from Giraffe Capital to the Independent Board Committee and the Independent Shareholders regarding the 2021 Master Supply Agreement, the deposit services under the 2021 Financial Services Agreement and each of the transactions contemplated thereunder; and (iv) a notice of the SGM, is expected to be despatched to the Shareholders on or before 8 December 2020.

## **RENEWAL OF THE EXISTING MASTER SUPPLY AGREEMENT, THE MASTER PURCHASE AGREEMENT AND THE FINANCIAL SERVICES AGREEMENT**

The Company entered into (i) the 2021 Master Supply Agreement and (ii) the 2021 Master Purchase Agreement with Sichuan Changhong Holding on 17 November 2020 for a fixed term commencing from 1 January 2021 until 31 December 2023 (both dates inclusive).

As the 2018 Financial Services Agreement will also expire on 31 December 2020, Changhong IT, a wholly-owned subsidiary of the Company entered into the 2021 Financial Services Agreement with Changhong Finance on 17 November 2020 for a fixed term commencing from 1 January 2021 until 31 December 2023 (both dates inclusive).

The principal terms of the 2021 Master Supply Agreement, the 2021 Master Purchase Agreement and the 2021 Financial Services Agreement are set out below.

# **THE 2021 MASTER SUPPLY AGREEMENT**

## **Date**

17 November 2020

## **Parties**

1. The Company; and
2. Sichuan Changhong Holding.

## **Subject matter**

Pursuant to the 2021 Master Supply Agreement, the Group has agreed to supply the ICT Products to the Sichuan Changhong Electric Group.

## **Term**

The term commences from 1 January 2021 until 31 December 2023.

## **Pricing**

As a general principle, the price and terms of the individual orders in respect of the supply of the ICT Products by the Group to the Sichuan Changhong Electric Group shall be on normal commercial terms, negotiated on an arm's length basis, or on a similar basis as the Group transacts business with other independent third party customers, and shall be on terms which are no less favourable to the Group than those provided to independent third party customers. The terms of the individual orders will be consistent with the principles and the terms of the 2021 Master Supply Agreement. If there is any conflict between the terms of an individual order and the 2021 Master Supply Agreement, the latter shall prevail.

## **Payment**

The credit term for the fee payable by the Sichuan Changhong Electric Group in relation to project-related business is determined in accordance with the payment terms of each individual order, with reference to the timing of the relevant project. For other trading-related business, the credit term is within a normal credit period upon the date of invoice.

### Previous/existing annual cap amounts

The previous/existing annual cap amounts for the provision of the ICT Products by the Group to the Sichuan Changhong Electric Group for the three years ended 31 December 2020 are as follows:

	For the year ended 31 December		
	2018	2019	2020
	<i>(RMB'000)</i>		
Previous/existing annual cap amounts	<u>49,000</u>	<u>40,000</u>	<u>56,000</u>

### Historical transaction amounts

The historical transaction amounts for the provision of the ICT Products by the Group to the Sichuan Changhong Electric Group for the two years ended 31 December 2019 and the ten months ended 31 October 2020 are as follows:

	For the year ended		For the
	31 December		ten months
	2018	2019	ended
	<i>(RMB'000)</i>		
			31 October
			2020
Historical transaction amounts	<u>27,080</u>	<u>30,900</u>	<u>47,345</u>

The Board confirms that as at the date of this announcement, the total transaction amount with the Sichuan Changhong Electric Group has not exceeded the existing annual cap under the 2020 Master Supply Agreement for the year ending 31 December 2020.

### Proposed annual caps

The proposed annual caps for the fee to be paid by the Sichuan Changhong Electric Group for each of the three years ending 31 December 2023 shall not exceed RMB200,000,000, RMB220,000,000 and RMB242,000,000, respectively.

The above proposed annual caps under the 2021 Master Supply Agreement were determined after having taken into account the following factors:

- (a) the expected quantity of the ICT Products to be ordered by the Sichuan Changhong Electric Group based on preliminary negotiations with Sichuan Changhong Holding;
- (b) the prevailing open market prices of the ICT Products in the PRC; and
- (c) the historical transaction amounts between the Company and the Sichuan Changhong Electric Group for the two years ended 31 December 2019 and the ten months ended 31 October 2020, respectively.

### **Reasons for and benefits in the entering of the 2021 Master Supply Agreement**

The Group has a long-standing business relationship with Sichuan Changhong, and has been supplying ICT Products to the Sichuan Changhong Electric Group since 19 April 2016. Taking into account the Sichuan Changhong Electric Group's broad distribution network and well-established market, the 2021 Master Supply Agreement will enable the Company to continue its capitalization on such business relationship, and to maintain a stable income stream with a reliable and committed source of orders from the Sichuan Changhong Electric Group, which in turn will benefit the Group's revenue growth and future development. With the rapid development of the ICT industry and the widespread use of digital technology, it is also anticipated that Sichuan Changhong Electric Group's general demand for ICT products will increase correspondingly.

The Directors (excluding the independent non-executive Directors who will express their views after considering the advice from Giraffe Capital, and Mr. Zhao and Mr. Yang who have abstained from voting on the relevant Board resolutions as set out hereinafter) are of the view that the 2021 Master Supply Agreement was entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **THE 2021 MASTER PURCHASE AGREEMENT**

#### **Date**

17 November 2020

#### **Parties**

1. The Company; and
2. Sichuan Changhong Holding.

## Subject matter

Pursuant to the 2021 Master Purchase Agreement, the Company has agreed to purchase, or procure its subsidiaries to purchase, the Purchase Products from the Sichuan Changhong Electric Group.

## Term

The term commences from 1 January 2021 until 31 December 2023.

## Pricing

As a general principle, the price and terms of the individual orders in respect of the purchase of the Purchase Products by the Group from the Sichuan Changhong Electric Group shall be on normal commercial terms, negotiated on an arm's length basis, or on a similar basis as the Group transacts business with other independent third party suppliers, and shall be on terms which are no less favourable to the Group than those provided by independent third party suppliers. The terms of the individual orders will be consistent with the principles and the terms of the 2021 Master Supply Agreement. If there is any conflict between the terms of an individual order and the 2021 Master Supply Agreement, the latter shall prevail.

## Payment

The credit term for the fee payable by the Company in relation to project-related business is determined in accordance with the payment terms of each individual order, with reference to the timing of the relevant project. For other trading-related business, the credit term is within a normal credit period upon the date of invoice.

## Previous/existing annual cap amounts

The previous/existing annual cap amounts for the purchase of the Purchase Products by the Group from the Sichuan Changhong Electric Group for the three years ended 31 December 2020 are as follows:

	For the year ended 31 December		
	2018	2019	2020
		(RMB'000)	
Previous/existing annual cap amounts	<u>49,000</u>	<u>40,000</u>	<u>40,000</u>



## Historical transaction amounts

The historical transaction amounts for the purchase of the Purchase Products by the Group from the Sichuan Changhong Electric Group for the two years ended 31 December 2019 and the ten months ended 31 October 2020 are as follows:

	For the year ended 31 December		For the ten months ended 31 October
	2018	2019	2020
	<i>(RMB'000)</i>		
Historical transaction amounts	<u>2,790</u>	<u>5,410</u>	<u>4,979</u>

The Board confirms that as at the date of this announcement, the total transaction amount with the Sichuan Changhong Electric Group has not exceeded the existing annual cap under the 2020 Master Purchase Agreement for the year ending 31 December 2020.

## Proposed annual caps

The proposed annual caps for all of the Purchase Products purchased by the Group for each of the three years ending 31 December 2023 shall not exceed RMB40,000,000, RMB44,000,000 and RMB47,900,000, respectively.

The above proposed annual caps under the 2021 Master Purchase Agreement were determined after having taken into account the following factors:

- (a) the expected quantity of the Purchase Products to be ordered by the Group;
- (b) the prevailing open market prices of the Purchase Products in the PRC; and
- (c) the historical transaction amounts between the Company and the Sichuan Changhong Electric Group for the two years ended 31 December 2019 and the ten months ended 31 October 2020, respectively.

## **Reasons for and benefits in the entering of the 2021 Master Purchase Agreement**

The Group has a long-standing business relationship with Sichuan Changhong, and has been purchasing relevant software and services from the Sichuan Changhong Electric Group since 19 April 2016. Taking into account Sichuan Changhong Electric Group's thorough understanding as to the specifications of the Purchase Products required by the Group, and the well-established business relationship between the parties, the 2021 Master Purchase Agreement will enhance the diversification of products to be supplied to the Group, as well as the stable growth and expansion of the Group's business, which in turn will benefit the Group's revenue growth and future development.

The Directors (including the independent non-executive Directors but excluding Mr. Zhao and Mr. Yang who have abstained from voting on the relevant Board resolutions as set out hereinafter) are of the view that the 2021 Master Purchase Agreement was entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **THE 2021 FINANCIAL SERVICES AGREEMENT**

### **Date**

17 November 2020

### **Parties**

1. Changhong IT; and
2. Changhong Finance.

### **Subject matter**

Pursuant to the 2021 Financial Services Agreement, Changhong Finance has agreed to provide the Financial Services to Changhong IT.

### **Term**

The term commences from 1 January 2021 until 31 December 2023.

## Pricing

In relation to the deposit services, the interest rate applicable to any deposits made available to Changhong Finance will be determined in the ordinary course of business and shall not be less than (a) the minimum interest rate prescribed by the PBOC at such relevant time, and (b) the interest rate available to Changhong IT from other major commercial banks in the PRC independent to Changhong IT in respect of the same type of deposits.

In relation to the loan services, the interest rate of the loans to be granted by Changhong Finance to Changhong IT will be determined in the ordinary course of business and shall not be higher than (a) the maximum interest rate prescribed by PBOC at such relevant time; and (b) the interest rate charged against Changhong IT by other major commercial banks in the PRC independent to Changhong IT in respect of the same type of loans.

In relation to the settlement services to Changhong IT, the settlement service fees to be charged by Changhong Finance will be determined in the ordinary course of business and shall not exceed the fees charged by other settlement services providers independent to Changhong IT in respect of the same type of settlement services.

## Existing annual cap amounts

The existing annual cap amounts for the provision of the Financial Services for the three years ended 31 December 2020 are as follows:

	Existing annual cap amounts		
	For the year ended 31 December		
	2018	2019	2020
	<i>(RMB'000)</i>		
Deposit services – Maximum daily outstanding balance of deposits deposited (including interest accrued and handling fees thereon)	800,000	800,000	800,000
Loan services – Maximum daily outstanding balance of loans granted (including interest accrued and handling fees thereon)	800,000	800,000	800,000
Settlement services – Maximum service fees for the settlement services provided	5,000	5,000	5,000

## Historical transaction amounts

The historical transaction amounts for the provision of Financial Services for the two years ended 31 December 2019 and the ten months ended 31 October 2020 are as follows:

	Historical transaction amounts		For the
	For the year ended		ten months
	31 December		ended
	2018	2019	31 October
		(RMB'000)	2020
Deposit services – Maximum daily outstanding balance of deposits deposited (including interest accrued and handlings fees thereon)	240,000	500,000	750,000
Loan services – Maximum daily outstanding balance of loans granted (including interest accrued and handling fees thereon)	237,457	450,221	712,569
Settlement services – Maximum service fees for the settlement services provided	–	153	11

The Board confirms that as at the date of this announcement, the existing annual caps under the 2018 Financial Services Agreement for the year ending 31 December 2020 have not been exceeded.

## Proposed annual caps

The proposed annual caps for the (i) deposit services, (ii) loan services and (iii) settlement services for each of the three years ending 31 December 2023 shall be as follows:

	Annual cap for the year ending 31 December		
	2021	2022	2023
	<i>(RMB'000)</i>		
Maximum daily outstanding balance of deposits to be deposited by Changhong IT with Changhong Finance (including interest accrued and handling fees thereon) <i>(Note)</i>	1,500,000	2,000,000	2,500,000
Maximum daily outstanding balance of loans to be granted by Changhong Finance to Changhong IT (including interest accrued and handling fees thereon)	1,500,000	2,000,000	2,500,000
Maximum service fees for the settlement services to be provided by Changhong Finance to Changhong IT	2,500	2,500	2,500

*Note:* The proposed annual caps are subject to the conditions of the total amount deposited by Changhong IT not exceeding (i) 30% of the total deposit amount taken by Changhong Finance; and (ii) the maximum credit amount to be provided by Changhong Finance to Changhong IT (including loans, guarantees and issuance of acceptance bills etc.).

The above proposed annual caps for the deposits to be deposited by Changhong IT were determined based on arms' length negotiations between the parties to the 2021 Financial Services Agreement, taking into account the effectiveness and reasonableness of Changhong IT and Changhong Finance's financial management, as well as the maximum credit amount made available by Changhong Finance to Changhong IT, given the loan may subsequently be deposited with Changhong Finance when it is drawn down.

The above proposed annual caps for the loans to be provided by Changhong Finance were determined based on the expected business development needs and growing funding requirements in light of Changhong IT's business demands, taking into account the necessary source of funding required for Changhong IT's operations and expected growth.

The above proposed annual caps for the service fees of settlement services to be provided by Changhong Finance were determined based on the expected settlement fees that will be derived from the maximum expected deposit and loan services required by Changhong IT from Changhong Finance.

## **Reasons for and benefits in the entering of the 2021 Financial Services Agreement**

Changhong Finance is a non-bank financial institution which is subject to the regulations of the PBOC and the CBRC, and is authorised to provide a wide range of financial services.

The Board believes that the proposed annual caps under the 2021 Financial Services Agreement are in the interests of the Company and its Shareholders as a whole since (i) the credit amount of RMB1.5 billion (or more for the two years ending 31 December 2023) will be made available from Changhong Finance to Changhong IT given the latter's good credit standing; (ii) in the event that Changhong IT requests for a single loan in the full credit amount from Changhong Finance under the 2021 Financial Services Agreement, such amount can be deposited with Changhong Finance subsequently; and (iii) the Board considers the proposed annual caps will provide Changhong IT with greater flexibility to improve the return on its funds through higher interest income and lower costs of financing, if the interest rates offered by Changhong Finance are more favourable than those offered by independent commercial banks in the PRC.

Taking into account its ability to offer deposits or loans with rates equal to or more favourable to Changhong IT than those offered by independent commercial banks in the PRC, the 2021 Financial Services Agreement is expected to provide Changhong IT with new means of financing, as well as improvement in the efficiency of the use of its funds through higher interest income and lower costs of financing. Changhong IT is also anticipated to be in a better position to manage the security of its funds since it is not considered to be exposed to any significant capital risk. The Directors (excluding the independent non-executive Directors who will express their views after considering the advice from Giraffe Capital, and Mr. Zhao and Mr. Yang who have abstained from voting on the relevant Board resolutions as set out hereinafter) are of the view that the deposit services under the 2021 Financial Services Agreement was entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors (including the independent non-executive Directors but excluding Mr. Zhao and Mr. Yang) are of the view that the loan services and the settlement services under the 2021 Financial Services Agreement were entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **INTERNAL CONTROL**

### **The 2021 Master Supply Agreement and the 2021 Master Purchase Agreement**

The Group will adopt the following internal control measures in connection with the 2021 Master Supply Agreement and the 2021 Master Purchase Agreement:

- (a) the senior manager of the Group's internal audit department and relevant personnel and management of the Group in charge will closely monitor and supervise the pricing policies for all continuing connected transactions of the Group. To ensure that the relevant transactions are conducted on normal commercial terms and not prejudicial to the interests of the Company and its Shareholders as a whole, they will (i) conduct regular checks on a quarterly basis to review and assess whether the relevant continuing connected transactions are conducted in accordance with the terms of their respective agreements, and (ii) regularly update the market price for the purpose of considering if the price charged for a specific transaction is fair and reasonable and in accordance with the aforesaid pricing policies;
- (b) the independent non-executive Directors will review the transactions contemplated under the 2021 Master Supply Agreement and the 2021 Master Purchase Agreement continuously; and
- (c) the external auditors of the Company will conduct an annual review on the pricing terms and annual caps under the 2021 Master Supply Agreement and the 2021 Master Purchase Agreement.

### **The 2021 Financial Services Agreement**

The Group will adopt the following internal control measures in connection with the 2021 Financial Services Agreement:

- (a) the relevant personnel of the Group will (i) closely monitor and supervise the pricing policy under the 2021 Financial Services Agreement, subject to the pricing terms as disclosed above, and (ii) conduct regular checks twice a year to review and assess whether the transactions contemplated under the 2021 Financial Services Agreement are conducted in accordance with its terms and the aforesaid pricing policy, to ensure that the 2021 Financial Services Agreement is conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its Shareholders as a whole;

- (b) the treasury group of the Group will contact commercial banks in the PRC to obtain and compare interest rate quotes with those offered by Changhong Finance under the 2021 Financial Services Agreement;
- (c) the chief financial officer of Changhong IT will regularly review the interest rates and decisions of making any deposits before approval under Changhong Finance;
- (d) the independent non-executive Directors will review the transactions contemplated under the 2021 Financial Services Agreement continuously; and
- (e) the external auditors of the Company will conduct an annual review of the transactions contemplated under the 2021 Financial Services Agreement.

## **LISTING RULES IMPLICATIONS**

### **The 2021 Master Supply Agreement and the 2021 Master Purchase Agreement**

As at the date of the 2021 Master Supply Agreement and the 2021 Master Purchase Agreement, Sichuan Changhong Holding holds approximately 23.22% equity interest in Sichuan Changhong, the controlling shareholder of the Company, and has control over Sichuan Changhong. Both Sichuan Changhong Holding and Sichuan Changhong are controlling shareholders of the Company. Sichuan Changhong is a connected person of the Company under Chapter 14A of the Listing Rules. Sichuan Changhong Holding is an associate of a connected person of the Company, and thus a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the 2021 Master Supply Agreement and the 2021 Master Purchase Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios (excluding the profits ratio) under the Listing Rules in respect of the highest annual cap for the transactions contemplated under the 2021 Master Supply Agreement exceeds 5%, the transactions contemplated under the 2021 Master Supply Agreement are subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As all applicable percentage ratios (excluding the profits ratio) under the Listing Rules in respect of the highest annual cap for the 2021 Master Purchase Agreement exceed 0.1% but all of them are less than 5%, the transactions contemplated under the 2021 Master Purchase Agreement are subject to the reporting, announcement and annual review requirements but exempt from the circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.



## **The 2021 Financial Services Agreement**

As at the date of the 2021 Financial Services Agreement, Changhong Finance is owned as to approximately 35.04% by each of Sichuan Changhong and Sichuan Changhong Holding respectively, and approximately 14.96% by each of Changhong Huayi and Changhong Meiling respectively. Changhong Finance is an associate of a connected person of the Company, and thus a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the 2021 Financial Services Agreement also constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios under the Listing Rules in respect of the maximum daily outstanding balance of the deposit services under the 2021 Financial Services Agreement exceed 5%, the deposit services under the 2021 Financial Services Agreement are subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. In addition, the deposits made in Changhong Finance are provision of financial assistance by the Company under Rule 14.04(1)(e) of the Listing Rules. As certain percentage ratios in respect of the placing of deposits in Changhong Finance exceed 25%, such placing of deposits also constitute a major transaction of the Company which is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The loan services under the 2021 Financial Services Agreement constitute financial assistance provided by a connected person. As such loan services would be provided on normal commercial terms or on terms which shall be more favorable to Changhong IT and would not be secured by the assets of the Group, the loan services under the 2021 Financial Services Agreement are fully exempt from the announcement, reporting, annual review, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios (excluding the profits ratio) under the Listing Rules in respect of the highest annual cap for the settlement services under the 2021 Financial Services Agreement are less than 5% and the highest annual cap is less than HK\$3,000,000, such settlement services are fully exempt from the reporting, announcement, annual review, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Zhao is a director of both Sichuan Changhong Holding and Sichuan Changhong, the two controlling shareholders of Changhong Finance, whereas Mr. Yang is a senior management member of Sichuan Changhong Holding and a director of Sichuan Changhong. Accordingly, Mr. Zhao and Mr. Yang, both being executive Directors, are considered to be interested in the transactions contemplated under each of the 2021 Master Supply Agreement, the 2021 Master Purchase Agreement and the 2021 Financial Services Agreement. Each of Mr. Zhao and Mr. Yang has therefore abstained from voting for the Board resolutions to approve each of the 2021 Master Supply Agreement, the 2021 Master Purchase Agreement and the 2021 Financial Services Agreement and each of the transactions contemplated thereunder.

## **INFORMATION ON THE PARTIES**

### **(1) The Company and the Group**

The Company has been listed on GEM since 24 January 2000. Since 18 March 2020, the Company has transferred its listing from GEM to the main board of the Stock Exchange. The Group is principally engaged in the distribution of ICT consumer products and corporate products.

### **(2) Sichuan Changhong Holding**

Sichuan Changhong Holding is principally engaged in investment holding. The Sichuan Changhong Electric Group holds interests in various businesses, including but not limited to the manufacturing and sale of consumer electronic appliances (through Sichuan Changhong) and property development (through other business entities).

### **(3) Changhong IT**

Changhong IT is a wholly-owned subsidiary of the Company. It is principally engaged in the distribution of ICT consumer products (including personal computers, digital products and ICT accessories) and ICT corporate products (including storage products, minicomputers, network products, PC servers, IBMS products and UC&CC products) in the PRC.

### **(4) Changhong Finance**

Changhong Finance is a company owned as to approximately 35.04% by each of Sichuan Changhong and Sichuan Changhong Holding respectively, and approximately 14.96% by each of Changhong Huayi and Changhong Meiling respectively. It is principally engaged in the provision of a wide range of financial services including but not limited to depository, loan, settlement, bill discounting, guarantees and other financial services approved by the CBRC.

## **GENERAL**

The Company will convene the SGM for the Independent Shareholders to consider and, if thought fit, approve the 2021 Master Supply Agreement, the deposit services under the 2021 Financial Services Agreement and each of the transactions contemplated thereunder.

Save for Sichuan Changhong and its associates, none of the other Shareholders has a material interest in the 2021 Master Supply Agreement, the deposit services under the 2021 Financial Services Agreement and each of the transactions contemplated thereunder and is required to abstain from voting on the relevant resolutions in the SGM.

The Independent Board Committee has been established to advise the Independent Shareholders in relation to the 2021 Master Supply Agreement, the deposit services under the 2021 Financial Services Agreement and each of the transactions contemplated thereunder.

Giraffe Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders regarding the 2021 Master Supply Agreement, the deposit services under the 2021 Financial Services Agreement and each of the transactions contemplated thereunder (including the proposed annual caps).

## **DESPATCH OF CIRCULAR**

A circular containing, among other things, (i) the principal terms of the 2021 Master Supply Agreement, the deposit services under the 2021 Financial Services Agreement and each of the transactions contemplated thereunder (including the proposed annual caps); (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders regarding the 2021 Master Supply Agreement, the deposit services under the 2021 Financial Services Agreement and each of the transactions contemplated thereunder; (iii) a letter of advice from Giraffe Capital to the Independent Board Committee and the Independent Shareholders regarding the 2021 Master Supply Agreement, the deposit services under the 2021 Financial Services Agreement and each of the transactions contemplated thereunder; and (iv) a notice of the SGM, is expected to be despatched to the Shareholders on or before 8 December 2020.

## **DEFINITIONS**

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“2018 Financial Services Agreement”	the financial services agreement dated 27 November 2017 entered into between Changhong IT and Changhong Finance in relation to the provision of Financial Services by Changhong Finance to Changhong IT
“2020 Master Purchase Agreement”	the master purchase agreement dated 30 December 2019 entered into between the Company and Sichuan Changhong Holding in relation to the purchase of the Purchase Products by the Group from the Sichuan Changhong Electric Group
“2020 Master Supply Agreement”	the master supply agreement dated 30 December 2019 entered into between the Company and Sichuan Changhong Holding in relation to the supply of ICT Products by the Group to the Sichuan Changhong Electric Group

“2021 Financial Services Agreement”	the financial services agreement dated 17 November 2020 entered into between Changhong IT and Changhong Finance in relation to the provision of Financial Services by Changhong Finance to Changhong IT
“2021 Master Purchase Agreement”	the master purchase agreement dated 17 November 2020 entered into between the Company and Sichuan Changhong Holding in relation to the purchase of the Purchase Products by the Group from the Sichuan Changhong Electric Group
“2021 Master Supply Agreement”	the master supply agreement dated 17 November 2020 entered into between the Company and Sichuan Changhong Holding in relation to the supply of ICT Products by the Group to the Sichuan Changhong Electric Group
“Agreements”	collectively, the 2021 Financial Services Agreement, 2021 Master Purchase Agreement and the 2021 Master Supply Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of the Company
“CBRC”	China Banking Regulatory Commission
“Changhong Finance”	Sichuan Changhong Group Finance Co., Ltd (四川長虹集團財務有限公司), a company established under the laws of the PRC and owned as to approximately 35.04% by each of Sichuan Changhong and Sichuan Changhong Holding respectively, and approximately 14.96% by each of Changhong Huayi and Changhong Meiling respectively as at the date of this announcement
“Changhong Huayi”	Changhong Huayi Compressor Co., Ltd (長虹華意壓縮機股份有限公司), a company established under the laws of the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000404) and is owned as to approximately 30.6% by Sichuan Changhong as at the date of this announcement

“Changhong IT”	Sichuan Changhong IT Information Products Co., Ltd (四川長虹佳華信息產品有限責任公司), a company established under the laws of the PRC and a wholly-owned subsidiary of the Company as at the date of this announcement
“Changhong Meiling”	Changhong Meiling Co., Ltd (長虹美菱股份有限公司), a company established under the laws of the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000521) and is owned as to approximately 23.79% by Sichuan Changhong as at the date of this announcement
“Company”	Changhong Jiahua Holdings Limited (長虹佳華控股有限公司), a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 3991)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Financial Services”	the financial services, including but not limited to (i) deposit services, (ii) loan services, and (iii) settlement services to be provided by Changhong Finance to Changhong IT
“GEM”	the GEM board of the Stock Exchange
“Giraffe Capital”	Giraffe Capital Limited, a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and Independent Shareholders in respect of the 2021 Master Supply Agreement, the deposit services under the 2021 Financial Services Agreement and each of the transactions contemplated thereunder

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IBMS”	intelligent building management system
“ICT”	information and communication technology
“ICT Products”	ICT products, software and technology including personal computers, servers, storage devices, network equipment and other products and relevant services to be provided by the Group to the Sichuan Changhong Electric Group
“Independent Board Committee”	the independent board committee of the Board comprising all the independent non-executive Directors
“independent third party”	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are not connected with the Company or any of its connected persons
“Independent Shareholders”	the Shareholders other than Sichuan Changhong and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Yang”	Mr. Yang Jun (楊軍), an executive Director
“Mr. Zhao”	Mr. Zhao Yong (趙勇), an executive Director
“PBOC”	The People’s Bank of China
“PC”	personal computer
“PRC”	the People’s Republic of China
“Purchase Products”	products including TV, intelligent devices, software and services to be purchased by the Group from the Sichuan Changhong Electric Group
“RMB”	Renminbi, the lawful currency of the PRC

“SGM”	the special general meeting of the Company to be convened for the approval of the 2021 Master Supply Agreement and the deposit services under the 2021 Financial Services Agreement and each of the transactions contemplated thereunder
“Sichuan Changhong”	Sichuan Changhong Electric Co., Limited (四川長虹電器股份有限公司), a company established under the laws of the PRC with limited liability, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600839) and owns, together with its wholly-owned subsidiaries, approximately 65.20% of the Company as at the date of this announcement
“Sichuan Changhong Electric Group”	Sichuan Changhong Holding and its subsidiaries
“Sichuan Changhong Holding”	Sichuan Changhong Electronics Holding Group Co., Ltd. (四川長虹電子控股集團有限公司), a company established under the laws of the PRC and holds approximately 23.22% equity interest in Sichuan Changhong as at the date of this announcement
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“UC&CC”	unified communication and contact centre
“%”	per cent.

By order of the Board  
**Changhong Jiahua Holdings Limited**  
**Mr. Zhao Yong**  
*Chairman and Executive Director*

Hong Kong, 17 November 2020

*As at the date of this announcement, the executive Directors are Mr. Zhao Yong, Mr. Zhu Jianqiu, Mr. Yang Jun and Mr. Luo Yongping and the independent non-executive Directors are Mr. Jonathan Chan Ming Sun, Mr. Gao Xudong and Mr. Meng Qingbin.*