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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)

CONNECTED TRANSACTION IN RELATION TO ENTERING INTO ADDITIONAL CHANGHONG IT LEASE

ENTERING INTO ADDITIONAL CHANGHONG IT LEASE

Reference is made to the announcement of the Company dated 22 May 2020 in relation to the 2020 Changhong IT Lease.

Due to the needs of business development, the Board announces that, on 30 March 2021 (after trading hours of the Stock Exchange), Changhong IT entered into the 2021 Changhong IT Lease with Beijing Changhong in relation to the newly leasing of certain premises in Beijing, which will be used by Changhong IT as its office, to expand the existing leasing of premises. The existing 2020 Changhong IT Lease will continue to be valid and performed.

LISTING RULES IMPLICATIONS

Beijing Changhong is owned as to 48.98%, respectively, by Sichuan Changhong, a controlling shareholder of the Company. Hence, Beijing Changhong is an associate of Sichuan Changhong and a connected person of the Company. Accordingly, the entering into of the 2021 Changhong IT Lease constitutes connected transaction for the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, the estimated values of the right-of-use asset to be recognised by the Group under the Leases will be aggregated for the purpose of calculating the percentage ratios. As one or more of the applicable percentage ratios in respect of the estimated value of the right-of-use asset to be recognised by the Group under the Leases in aggregate are more than 0.1% and less than 5%, the entering into of the 2021 Changhong IT Lease is therefore exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, but is subject to the reporting and announcement requirements.

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Principal terms of the 2021 Changhong IT Lease are set out as follows:

- Date:** 30 March 2021
- Parties:** (i) Changhong IT, as tenant; and
(ii) Beijing Changhong, as landlord.
- Premises:** The whole of the 3rd floor of Beijing Changhong Science and Technology Building, Block 26, Section 18, 188 South 4th Ring Road, Fengtai District, Beijing, the PRC (with an aggregate floor area of 1,125.48 square meters)
- Terms:** Commencing from 1 April 2021 to 31 May 2023 (including rent free period from 1 April 2021 to 20 April 2021)
- Rent:** Approximately RMB85,583 per month

The rent under the 2021 Changhong IT Lease was determined after arm's length negotiations between the parties thereto and with reference to the prevailing market rent for similar premises in the vicinity, and the term shall be on normal commercial terms and no less favourable to the Group than those available from other independent third parties.

REASONS FOR AND THE BENEFITS OF ENTERING INTO THE 2021 CHANGHONG IT LEASE

The Directors (including the independent non-executive Directors) are of the view that it is in the interest of the Company to enter into the 2021 Changhong IT Lease in order to provide the Group with stable and necessary office premises for its business operation.

The Directors (including the independent non-executive Directors) are of the view that the 2021 Changhong IT Lease was entered into on normal commercial terms in the ordinary and usual course of business of the Company after arm's length negotiations, and the terms of the 2021 Changhong IT Lease are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

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The HKFRS applicable to the Group include HKFRS 16 “Leases” which has come into effect on 1 January 2019. In accordance with HKFRS 16 “Leases”, the Group will recognize the value of the right-of-use assets on its balance sheet in connection with the Leases, this transaction will be regarded as an acquisition of assets by the Group pursuant to the Listing Rules. The value of the right-of-use asset to be recognized by the Group under the 2021 Changhong IT Lease is estimated to be approximately RMB16,090,572.77 (equivalent to approximately HK\$19,274,763.74), being the present value of the aggregate lease payments using the rate applicable at the commencement date of the Leases in accordance with HKFRS 16. The discount rate of 4.75% is applied to compute the present value of aggregate lease payments under the 2021 Changhong IT Lease. Shareholders should note that the above figure is unaudited and may be subject to adjustment in the future.

Pursuant to Rule 14A.81 of the Listing Rules, the estimated values of the right-of-use asset to be recognised by the Group under the Leases will be aggregated for the purpose of calculating the percentage ratios. As one or more of the applicable percentage ratios in respect of the estimated value of the right-of-use asset to be recognised by the Group under the Leases in aggregate are more than 0.1% and less than 5%, the entering into of the 2021 Changhong IT Lease is therefore exempt from the circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules, but is subject to the reporting and announcement requirements.

Both Mr. Zhao Yong (“**Mr. Zhao**”) and Mr. Yang Jun (“**Mr. Yang**”), being executive directors of the Company and directors of Sichuan Changhong, are considered to be interested in the 2021 Changhong IT Lease. Therefore, Mr. Zhao and Mr. Yang have abstained from voting for the Board resolutions approving the entering into of the 2021 Changhong IT Lease.

INFORMATION ABOUT THE PARTIES TO THE LEASE

Changhong IT is a company established in the PRC with limited liability and an indirect wholly owned subsidiary of the Company. Changhong IT is principally engaged in the distribution of IT consumer products and IT corporate products.

Beijing Changhong is a company established in the PRC with limited liability and indirectly owned as to 48.98% by Sichuan Changhong. Beijing Changhong is principally engaged in property leasing, property management.

Sichuan Changhong is a controlling shareholder of the Company established in the PRC of which shares are listed on the Shanghai Stock Exchange (Stock Code: 600839). Sichuan Changhong is principally engaged in the wholesale business of consumer home electronics items under the name of “Changhong”.

DEFINITION

Unless the context otherwise requires, capitalised terms used in this announcement shall have the following meanings:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Beijing Changhong”	Beijing Changhong Technology Company Limited* (北京長虹科技有限責任公司), a company established under the laws of the PRC and owned as to 48.98% by a controlling Shareholder, Sichuan Changhong. Beijing Changhong is a connected person of the Company
“Board”	board of the Directors
“Changhong IT”	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 an indirectly wholly owned subsidiary of the Company
“2020 Changhong IT Lease”	the lease agreement dated 22 May 2020 and entered into between Changhong IT and Beijing Changhong, details of which are set out in the announcement of the Company dated 22 May 2020
“2021 Changhong IT Lease”	the lease agreement dated 30 March 2021 and entered into between Changhong IT and Beijing Changhong
“Company”	Changhong Jiahua Holdings Limited, an exempted company incorporated in Bermuda with limited liability and issued Shares of which are listed and traded on Main Board (Stock Code: 3991)
“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“connected person(s)”	has the meanings ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meanings ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Group”	the Company and its subsidiaries

“Leases”	collectively, the 2020 Changhong IT Lease and 2021 Changhong IT Lease
“percentage ratio(s)”	has the meanings ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China, which shall, for the purpose of this announcement, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) of the Company
“Shareholders”	holder(s) of the Share(s)
“Sichuan Changhong”	Sichuan Changhong Electric Co., Ltd* (四川長虹電器股份有限公司), a company established under the laws of the PRC and a controlling Shareholder
“%”	per cent

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

Hong Kong, 30 March 2021

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

* *For identification purpose*